



520 Capitol Mall, Suite 630
Sacramento, CA 95814

P (916) 568-4237

www.amwater.com

July 26, 2023

California Public Utilities Commission
Water Division
Room 3102, State Building
505 Van Ness Ave.
San Francisco, CA 94102-3298

Dear Division of Water and Audits:

Enclosed please find an original and three copies of Advice Letter No. 1416.

Regards,

/s/ Leana Ramirez

Leana Ramirez
Business Support Specialist

CC: Mukunda Dawadi, California Public Utilities Commission, Office of Ratepayer
Advocates, 505 Van Ness Ave., San Francisco, CA 94102-3298

CALIFORNIA PUBLIC UTILITIES COMMISSION
DIVISION OF WATER AND AUDITS

Advice Letter Cover Sheet

Utility Name: California American Water
Date Mailed to Service List: July 26, 2023
District: All Service Areas
CPUC Utility #: U210W
Protest Deadline (65th Day): September 29, 2023
Advice Letter #: 1416
Review Deadline (135th Day): December 8, 2023
Tier 1 2 3 Compliance
Requested Effective Date: TBD
Authorization N/A
Rate Impact: \$See AL
Description: West San Martin Acquisition See AL%

The protest or response deadline for this advice letter is 20 days from the date that this advice letter was mailed to the service list. Please see the "Response or Protest" section in the advice letter for more information.

Utility Contact: Jonathan Morse
Phone: 916-568-4237
Email: Jonathan.Morse@amwater.com
Utility Contact: Leana Ramirez
Phone: 916-568-4279
Email: leana.ramirez@amwater.com
DWA Contact: Tariff Unit
Phone: (415) 703-1133
Email: Water.Division@cpuc.ca.gov

DWA USE ONLY

<u>DATE</u>	<u>STAFF</u>	<u>COMMENTS</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

[] APPROVED [] WITHDRAWN [] REJECTED

Signature: _____ **Comments:** _____
Date: _____



July 26, 2023

ADVICE LETTER NO. 1416

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

I. PURPOSE

Pursuant to Sections 851-854 and 2718-2720 of the California Public Utilities Code, Decision (“D.”) 99-10-064 and D.20-08-047, Article 2 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure (“Rules”) and Rule 3.6, as well as Commission General Order 96-B, California-American Water Company (U-210-W) (“California American Water”) in this Advice Letter requests the Commission authorize the sale of West San Martin Water Works, Inc.’s (U-170-W) (“West San Martin”) assets, California American Water’s purchase of those assets, and certain related actions.

II. INTRODUCTION

Consolidation of West San Martin Water’s assets into California American Water’s much larger system is in the public interest. The consolidation furthers important public policies and customer interests.

Provided the Commission grants approval, California American Water’s acquisition of West San Martin’s utility assets will occur pursuant to the asset purchase agreement dated December 20, 2022 (“Asset Purchase Agreement”), between West San Martin and California American Water. A copy of the Asset Purchase Agreement is included as “Confidential Attachment” to the minimum data requirements (“MDRs”) included with this Advice Letter. This Advice Letter asks the Commission to approve the Asset Purchase Agreement, the transaction contemplated in that Agreement, and certain related matters. Specifically, the Advice Letter requests Commission authority:

1. Approving the Asset Purchase Agreement’s terms and conditions.
2. Expanding California American Water’s Certificate of Public Convenience and Necessity (“CPCN”) so the Company may assume all public utility responsibilities for the operation and ownership of the water utility operations in West San Martin’s current service area.
3. Establishing the rate base of the acquired system, at the time of approval of a resolution in this Advice Letter proceeding, as the full purchase price to be paid by California American Water for the West San Martin system’s assets covered by the Asset Purchase Agreement.
4. Authorizing California American Water to record the acquisition on a net basis consistent with generally accepted accounting principles.

5. Allowing California American Water immediate consolidation of the West San Martin system into California American Water's Central Division for operational purposes.¹
6. Permitting California American Water to (until implementation of the decision in the Company's next GRC) maintain existing Commission-approved rates and charges for West San Martin customers in effect at the time this acquisition closes.
7. Approving California American Water's request to file standard CPI-U rate increases for West San Martin as allowed for Class D utilities until West San Martin is consolidated for rate making purposes into one of California American Water's Divisions following the decision in the Company's next GRC.
8. Allowing California American Water to integrate the West San Martin system into one of its Divisions (and Corporate Office) for ratemaking purposes as of January 1, 2027. The rates for West San Martin customers from January 1, 2027, forward would be determined in California American Water's next GRC, set for filing in the summer of 2025.
9. Approving California American Water's Request to create a West San Martin Acquisition Contingency Memorandum Account ("WSMACMA"). This account would capture the differences between revenues billed at current West San Martin and California American Water rates and revenues that would have been billed under the final rates if West San Martin were fully consolidated for rate making purposes upon close of the acquisition.
10. Establishing a West San Martin Transaction Cost Memorandum Account, pursuant to Commission Standard Practice U-27-W, to track all transaction related costs with rate treatment determined in California American Water's subsequent GRC.
11. Approving California American Water's request to allow tracking of costs of addressing any required environmental improvements and compliance issues in the already established memorandum account related to the same issues for the Dunnigan, Geyserville, Meadowbrook, Rio Plaza, Fruitridge Vista, Hillview, East Pasadena, and Bass Lake acquisitions.
12. Relieving, after the close of the asset acquisition, West San Martin of its public utility responsibilities and obligations to serve customers and cancelling its CPCN.

The relief requested in this Advice Letter should not be controversial. The proposed acquisition furthers important Legislative and Commission policies and goals. The acquisition also benefits West San Martin and California American Water customers. This proceeding, therefore, should move along quickly and be approved by resolution in accordance with the timeline established in D.99-10-064.

¹ No changes in California American Water's tariff schedules result from the acquisition. After the acquisition closes, West San Martin Water Works customers would be subject to tariff schedules and rules applicable to California American's Monterey County District. Such schedules and rules would become effective five days after California American Water files a Tier 1 Advice Letter that provides details of the finalized purchase of the water system. West San Martin customers would remain on their current rates until implementation of the decision from California American Water's next general rate case ("GRC").

III. BACKGROUND:

West San Martin: Is a Commission-regulated Class D water service provider with approximately 318 metered customer connections. The system serves primarily residential connections with 47 commercial connections and 5 irrigation connections. The system is close (less than 50 miles) to California American Water's Monterey County service area. This will allow West San Martin's operations to be folded into California American Water's Central Division.

As a Class D water utility, West San Martin's revenue requirement is based on rate of margin instead of rate of return. In West San Martin's last GRC, the Commission authorized a revenue requirement that achieved the Commission's then authorized rate of margin of 24.89%.

California American Water: A California corporation, is a Class A public utility water and wastewater company regulated by the Commission. The Company provides regulated water and/or wastewater utility services in parts of San Diego, Los Angeles, Ventura, Monterey, Sonoma, Yolo, Sacramento, Merced, and Placer counties, serving approximately 680,000 people in 50 communities.

California American Water is an experienced water and wastewater system operator, with operations near West San Martin. California American Water has also recently received Commission approval to acquire several smaller water providers, ranging from Class D to Class B providers as well as mutual water companies and a municipal water system.² California American Water is a subsidiary of American Water Works Company, Inc. ("American Water"), the largest publicly traded water and wastewater utility in the United States, with operations serving approximately 14 million people across North America. A description of California American Water's plant, water systems, and property is on file with the Commission in California American Water's most recent Annual Report to the Commission.

² See, e.g., D.15-11-012, *Decision Authorizing California-American Water Company to Purchase the Public Utility Assets of Dunnigan Water Works*, dated Nov. 10, 2015; Resolution W-5042, *Order Approving California American Water Company's Request to Acquire Ox Bow Mutual Water Company*, dated June 11, 2015; D.16-11-014, *Decision Authorizing the Sale and Adopting Settlement Agreement* (Geyserville acquisition), dated Nov. 17, 2016; D.16-12-014, *Decision Adopting Settlement Agreement and Approving Joint Application of California-American Water Company to Purchase and Meadowbrook Water Company of Merced, Inc., to Sell the Meadowbrook Water System*, dated Dec. 6, 2017; D.19-04-015, *Decision Authorizing Sale and Transfer*, dated May 2, 2019; D.19-12-038, *Decision Authorizing the Purchase of Water Utility Assets by California-American Water Company*, dated December 19, 2019; D.21-08-002, *Decision Approving the Sale of East Pasadena Water Utility Assets to California-American Water Company, Inc.*, issued August 6, 2021; D.22-10-003, *Decision Approving California-American Water Company's Acquisition of Bellflower Municipal Water System*, issued October 11, 2022.

IV. ASSET PURCHASE AGREEMENT:

Under the Asset Purchase Agreement, California American Water will acquire certain assets associated with West San Martin. For those assets, California American Water will pay between \$1,600,000 and \$1,800,000 plus or minus a small adjustment amount.³ This range is explained as follows:

- At closing, from the \$1,800,000 purchase price, California American Will place \$300,000 in an escrow account.⁴
- Of the amount placed in the escrow account, \$100,000 is an indemnity holdback for satisfying indemnity obligations of West San Martin, with any remainder from that \$100,000 distributed to West San Martin.⁵
- The remaining \$200,000 of the funds placed in the escrow account constitute the Twin Valley Allocation.⁶ Portions of that Allocation will be released to West San Martin's owners as milestones in the Twin Valley project are reached. Any remaining portion from that \$200,000 not paid to West San Martin's owners because of unreachd milestones will, at the end of a specified period, be returned to California American Water and not counted as part of the rate base for the new system.⁷ The Twin Valley Project is discussed in greater detail below.

V. CUSTOMER BENEFITS AND PUBLIC INTEREST:

A. Legislative Declarations and Other Resolutions Support the Acquisition

In Public Utilities Code Section 2719, the Legislature found and declared (1) public water systems face the need to replace or upgrade infrastructure to meet increasingly stringent state and federal laws and regulations, (2) increasing amounts of capital are required to finance the necessary investment in that infrastructure, (3) scale economies are achievable in the operation of public water systems, and (4) providing water corporations with an incentive to achieve these scale economies provides benefits to ratepayers.⁸ Similarly, State Water Resources Control Board (SWRCB) Resolution No. 2008-0048 states: small water systems (1) often cannot provide the economies of scale necessary to build and maintain adequate water and wastewater systems; (2) lack resources and in-house expertise, including those necessary to best manage long-term operations; and (3) need financial and technical assistance to ensure compliance.

More recently, in D.20-08-047, the Commission recognized the benefits of transactions such as the one being proposed in this Advice Letter: "Consolidation may be a means to improve affordability, by leveraging greater economies of scale and scope, and by importing

³ See MDR Response Attachment 26 (Confidential), Asset Purchase Agreement, at Exhibit 1 thereto, under Definitions, p. 28 ("Cash Purchase Price"); Section 2.2(a), (b), and (e).

⁴ Id. at MDR Response Attachment 26 (Confidential), at Section 2.2(b) thereto.

⁵ Id. at MDR Response Attachment 26 (Confidential), at Section 2.2(b) thereto.

⁶ Id. at MDR Response Attachment 26 (Confidential), at Section 2.2(b) thereto.

⁷ Id. at MDR Response Attachment 26 (Confidential), at Section 2.2(b) and (e); Asset Purchase Agreement, Exhibit 4, pp. 38-39 ("Calculation of Adjustment Amount").

⁸ Pub. Util. Code § 2719.

best, or better, practices related to operating a water utility, as well as designing rates to allow recovery of reasonable expenses.”⁹

California American Water serves a population of approximately 680,000 throughout California. It is one of the largest investor-owned water utilities in the State. Its parent company, American Water, is the largest publicly traded water and wastewater utility in the United States, with operations serving approximately 16 million people across North America. As is discussed in further detail below, California American Water’s size, experience, and resources give it a distinct advantage in being able to replace or upgrade systems effectively and efficiently to meet increasingly stringent state and federal mandates and provide improved access to the capital needed to finance such infrastructure investments. California American Water’s acquisition of West San Martin will also achieve efficiencies and economies of scale that would otherwise not be available.

1. Improved Access to Capital Supports Approving this Advice Letter

As the expense of meeting increasingly stringent regulations climbs, greater amounts of capital will be required to fund infrastructure projects. California American Water has better access to capital and likely at lower costs than West San Martin. By D.18-07-013, the Commission authorized California American Water to issue up to \$359,450,000 in long-term debt. Recently, in D.23-05-008, the Commission authorized California American Water to issue up to \$397,261,000 in new long-term debt securities. California American Water has a Financial Services Agreement with American Water Capital Corporation, another subsidiary of American Water. That Agreement’s purpose is to provide financing to other subsidiaries, such as California American Water.¹⁰ The Commission and Legislature have recognized that access to capital is important and benefits the public interest. Additionally, the carrying cost of rate base for California American Water would be lower than the prevailing cost under West San Martin’s current ownership. California American Water’s current rate of return is 7.61%,¹¹ which is below the 24.89% rate of margin that W-4905 authorized rates for West San Martin are forecasted to generate. Thus, California American Water’s acquisition of West San Martin ensures access to capital needed to finance infrastructure necessary to supply West San Martin customers with safe water.

2. Benefits from Economies of Scale Support Approval

Benefits from economies of scale also strongly support approving this advice letter. Examples of where economies of scale often benefit larger utilities and their customers include: (1) compliance with regulatory requirements, (2) maintaining customer information and billing systems, (3) purchasing materials and supplies, (4) maintaining high levels of customer service, (5) maintaining and improving quality of treated water, (6) providing for current infrastructure

⁹ D.20-08-047, p. 85.

¹⁰ See D.18-07-013, *Application of California-American Water Company (U210W) to issue, sell and deliver debt securities consisting of long-term notes not exceeding \$359,450,000 in the aggregate, and other related requests*, dated July 12, 2018 (“D.18-07-013”).

¹¹ This is California American Water’s current rate of return pending implementation of its new authorized rate pursuant to D.23-06-025 as well as any subsequent adjustments based on the Water Cost of Capital Adjustment Mechanism.

needs and future growth, and (7) supporting a level of expertise required to navigate often complex requirements for government programs such as grant funds and revolving fund loans.

Larger utilities, such as California American Water, can develop greater in-house expertise, creating institutional knowledge. California American Water employs personnel with specific expertise in such specialized functions as water quality and testing, environmental compliance, customer service, engineering, and conservation. Smaller utilities frequently must rely on outside consultants who usually cost more and leave at the end of the project, taking their institutional knowledge with them. Benefits from more diverse and specialized workforces at larger utilities provide advantages over smaller systems in numerous areas, including environmental and water quality, financing, human resources, and general operations. In addition, with California American Water's greater size and more extensive personnel, West San Martin customers will have greater assurance of high-quality service. California American Water has a more sizeable workforce with overlapping skills, which reduces the chance of coverage gaps due to illness, vacation, or unavailability. It also has greater access to more advanced equipment and technology, which aids in resolving issues more quickly.

California American Water's ability to spread fixed costs, lowering per-customer share of such costs, supports approval of this Advice Letter. Economies of scale are also driven by the relationship between the fixed and variable costs of operation. Utilities are capital intensive. Fixed costs are high relative to variable costs. For example, testing equipment for a system of 200 customers may cost the same as that for a system of 20,000. With greater environmental and regulatory requirements, fixed costs will likely only increase, presenting a problem for smaller water companies, such as West San Martin. With its much smaller customer base, West San Martin will have trouble spreading those increased fixed costs. Because of California American Water's large size, it has a much better ability to spread costs and improve efficiencies.

California American Water anticipates savings. These include from reducing West San Martin's miscellaneous expenses related to regulatory, materials, and plant maintenance through leveraging economies of scale, existing employees, and existing statewide shared services. These specific items will not necessarily create dollar-for-dollar savings, as much of the associated work will still need to be performed; however, California American Water will be able to leverage existing economies of scale to perform the work at lower cost, creating long-term savings for West San Martin customers.

Thus, economies of scale based on the ability to spread fixed costs, improved efficiencies through specialization, as well as things such as market presence (which includes access to capital and volume discounts for materials), as well as synergies all support approving this advice letter.

B. State Water Resources Control Board Policy Supports Advice Letter Approval

According to the Public Policy Institute of California, "...the state is actively encouraging one solution: the consolidation of smaller systems into larger ones." In Resolution No. 2008-0048, the SWRCB noted that small water systems: (1) often cannot provide the economies of scale necessary to build and maintain adequate water and wastewater systems; (2) lack resources and in-house expertise, including those necessary to best manage long-term operations; and (3) need financial and technical assistance to ensure compliance. Senate Bill 88 (2015) added sections 116680-116684 to the California Health and Safety Code, giving the SWRCB the ability to mandate consolidation when appropriate – underscoring the Legislature's

recognition of the need for consolidation. In implementing that new authority, the SWRCB has publicly stated that it “has encouraged – and will continue to encourage –voluntary consolidations of public water systems....” According to the SWRCB, “Small public water systems are often less resilient to natural disasters, such as drought and fire, have more difficulty adjusting to regulatory changes, and may struggle to fund infrastructure maintenance and replacement due to poor economies of scale and lack of staff.” This is why the SWRCB “supports water partnerships whenever feasible.”

As noted above, California American Water’s acquisition of West San Martin will help to provide greater economies of scale and bring greater resources and expertise (financial, technical, personnel) to the management and operation of West San Martin. This is consistent with the SWRCB’s recognition of the benefits of this type of transaction.

C. The Commission’s Water Action Plan Supports Advice Letter Approval

The Commission’s Water Action Plan recognizes that to maintain the highest standards of water quality, the Commission should provide incentives for the acquisition or operation of smaller water and sewer utilities. In adopting the plan, the Commission noted:

Smaller water companies often do not have the resources or expertise to operate in full compliance with increasingly stringent and complex water quality regulations. Many water companies are too small to be viable in the long-term, raising questions as to whether they will be able to continue to provide clean and reliable water in the future. DPH requests Class A utilities (over 10,000 connections) to report on an annual basis which smaller utilities they might consider purchasing.

The Water Action Plan’s objectives include: (1) maintaining the highest standards of water quality; (2) strengthening water conservation programs to a level comparable to those of energy utilities; (3) promoting water infrastructure investment; (4) assisting low-income ratepayers; (5) streamlining Commission regulatory decision making; and (6) setting rates that balance investment, conservation, and affordability. This advice letter seeks approval of a transaction that will further these Commission objectives.

1. Maintaining the Highest Standards of Water Quality

California American Water’s purchase of West San Martin will ensure that the first objective of the Water Action Plan (maintaining the highest standards of water quality) is met. This Advice Letter seeks approval of a transaction that furthers these Commission objectives. The purchase of a smaller system by a larger system makes economic sense. California American Water will bring economies of scale, greater internal expertise, access to resources, and greater knowledge and experience. These will help maintain the highest standards of water quality.

2. Strengthening Water Conservation Programs

The proposed transaction will also promote the Water Action Plan objective of strengthening conservation. California American Water has an established, successful, more robust conservation program. West San Martin customers would ultimately have access to California American Water's wide-ranging conservation programs.

3. Promoting Water Infrastructure Investment

California American Water has greater access to resources, including financing and personnel trained in planning for infrastructure development, therefore helping to advance the Water Action Plan's goal of promoting water infrastructure investment.

4. Assisting Low-Income Ratepayers

West San Martin currently lacks a low-income program. Given West San Martin's size, such a program could prove difficult for West San Martin to implement. California American Water has a well-functioning low-income program and has implemented that program in acquired systems. Moreover, California American Water's program benefits from the company's ability (through coordination with energy companies) to identify customers that qualify. This ability is important because some qualified customers may be unaware of the programs or unsure how to subscribe to them. Because of California American Water's size and scope of operations, the data processing costs are kept low on a per-customer basis. The acquisition, therefore, advances the Water Action Plan's objective of assisting low-income ratepayers.

5. Streamlining Commission's Regulatory Decision-Making

California American Water's acquisition of West San Martin's assets will reduce the workload in terms of Commission review. It decreases the number of independent systems the Commission must regulate and better centralizes reporting for systems.

6. Setting Rates That Balance Investment, Conservation, and Affordability

Due to California American Water's size, financial strength, and the breadth of expertise of its employees, the acquisition supports the Commission Water Action Plan's objectives of strengthening water conservation programs and setting rates that balance investment, conservation, and affordability. In addition, California American Water can spread costs to operate, maintain, and invest over a much larger customer base.

For all these reasons, the acquisition will further the Commission's goals under the Water Action Plan and should be approved by the Commission.

D. Customer Benefits

As discussed above, the purchase will increase the likelihood of the West San Martin community's long-term access to safe and reliable water services at affordable prices. California American Water's size, and position in the industry and association with American Water, will allow California American Water to meet water quality, reliability, and customer service standards efficiently. California American Water's larger and more specialized workforce and nearby locations allow for expanded customer service options and for assistance in emergency situations. In addition, after the acquisition, customers now served by West San Martin will have access to web self-service for many services, paperless billing and call centers that have the capacity to obtain translation services in several languages.

California American Water also has a robust safety program that focuses on leading indicators. The Company's near miss program is one example of this. Employees are encouraged to report incidents that could have created an injury or accident but did not in that instance. Near miss incidents are reported through a phone call, computer, or handheld device. Corrective actions are then taken if appropriate. Another program is the Company's Safety Lead Program, where field employees are empowered to perform job site safety checks and teach safety courses for co-workers. Learning from their peers is an excellent way to make certain that California American Water communicates safety information to employees and contractors. Finally, each worker carries a "Stop Work Authority" reminder on the back of his/her work identification card. This is a reminder that if an employee feels that a job is unsafe, the employee is empowered to stop the job immediately until the unsafe situation is remedied. All these programs will enhance the safety of the water service provided to customers now served by West San Martin.

The acquisition also benefits current California American Water customers. In the long run, a larger total customer base will spread costs and risks, benefiting all current and future California American Water customers.

E. The Transaction Furthers the Commission's Environmental and Social Justice Goals

The Commission's Environmental and Social Justice Action Plan ("ESJ Plan") identifies existing inequities and proposes actions for how the Commission can use its regulatory authority to address health and safety, consumer protection, program benefits, and enforcement to encompass all the industries it regulates, including energy, water, and communications programs. Goal 3 of the Commission's ESJ Plan is to improve access to high-quality water, communications, and transportation services for ESJ Communities. For water utilities, objectives for this goal include (1) consolidating small water systems, and (2) expanding low-income programs.

The ESJ Plan recognizes consolidation of smaller systems is an important tool to ensure customers receive safe and reliable water. The Commission recognizes smaller water systems often lack the ability to fully comply with increasingly stringent water quality regulations and to be viable in the long-term. As noted above, California American Water will bring economies of

scale, internal expertise, access to resources, as well as greater knowledge and experience. California American Water's much larger size will also enable it to spread costs over a much broader customer base, reducing the chance of rate shock for customers and ensuring that necessary rate increases are more moderate.

As previously discussed, California American Water has a low-income assistance program that has assisted many customers. The Commission's approval of California American Water's acquisition of West San Martin could allow for expansion of that program to customers of West San Martin, which does not currently offer a low-income assistance program. California American Water reports annually to the Commission on its supplier diversity. The Company also conducts diversity fairs to provide opportunities for diverse vendors. California American Water has a Diversity Champion Network and conducts numerous employee trainings. As is noted above, California American Water also provides translation services for customers who would prefer to communicate with the Company in a language other than English.

VI. RATES AND REGULATORY TREATMENT:

A. Request for Authorized Rate Base Equal to Fair Market Value

Applicants request the Commission authorize rate base equal to the total final purchase price (i.e., between \$1,600,000 and \$1,800,000 million plus possible adjustments, if any). This range results from possible payments in connection with the Twin Valley Project.

- Under the Asset Purchase Agreement, the Cash Purchase Price for West San Martin is \$1,800,000.¹²
- At closing, from the \$1,800,000 purchase price, California American will place \$300,000 in an escrow account.¹³
- Of the \$300,000 placed in the escrow account, \$100,000 is an indemnity holdback for satisfying indemnity obligations of West San Martin, with any remainder from the \$100,000 indemnity holdback distributed to West San Martin after a set period of time.¹⁴
- With the holdback, therefore, the minimum amount under the Asset Purchase Agreement that California American Water will pay to purchase West San Martin's assets is \$1,600,000.
- The remaining \$200,000 of the funds placed in the escrow account constitute the Twin Valley Allocation.¹⁵ Twin Valley is a Commission-regulated "Class D" water utility near West San Martin. Twin Valley's system suffers from water quality issues and may seek to connect with and purchase water from West San Martins' system. Such a large, new customer for West San Martin would provide new revenue for West San Martin's system, effectively increasing the number of connections. In recognition of that possibility, the Twin Valley Allocation was included in the Asset Purchase Agreement.

¹² See MDR Response Attachment 26 (Confidential), at Exhibit 1 "Definitions," p. 28 thereto. (CONFIDENTIAL)

¹³ Id. at MDR Response Attachment 26 (Confidential), at Section 2.2(b) thereto.

¹⁴ Id. at MDR Response Attachment 26 (Confidential), at Section 2.2(b) thereto.

¹⁵ Id. at MDR Response Attachment 26 (Confidential), at Section 2.2(b) thereto.

- Based on the Twin Valley Allocation, portions of the \$200,000 in escrow will be released to West San Martin as milestones in the Twin Valley project are reached. Any remaining portion from the \$200,000 not paid to West San Martin because of unreach milestones will, at the end of a specified period, be returned to California American Water and thereafter such returned portions will be removed from the purchase price and associated rate base for the new system.¹⁶

California American Water requests to record the acquisition on a net basis consistent with generally accepted accounting principles. At close of the acquisition, with California American Water's taking ownership of all of West San Martin's assets included in the transaction, the new rate base for the system would total \$1,800,000. The rate base could then subsequently decrease, potentially to as low as \$1,600,000 (less any depreciation as well), if not all payments in connection with the Twin Valle Allocation are made from escrow.

This purchase price resulted from negotiations between a willing and informed buyer and a willing and informed seller with neither side compelled to enter the transaction hastily or out of necessity. The purchase price conforms to the definition of "fair market value" set forth in Code of Civil Procedure Section 1263.320(a). Inclusion of the entire purchase price (subject to potential reductions associated with the Twin Valley Allocation) in rate base is supported by Commission Decision D.99-10-064 and the Public Water System Investment and Consolidation Act of 1997 ("Consolidation Act"), codified at Public Utilities Code Sections 2718-2720. The Legislature enacted the Consolidation Act to facilitate the acquisitions by Class A water utilities and to:

...aid water systems in making infrastructure improvements, to meet increasingly stringent state and federal drinking water laws, to recognize that economies of scale are achievable in the operation of public water systems, and to provide water corporations with incentives to achieve economies that benefit ratepayers.

Public Utilities Code Section 2720(a) provides that the Commission "shall use the standard of fair market value when establishing the rate base for the distribution system of a public water system acquired by a water [utility]. This standard shall be used for ratesetting." Public Utilities Code Section 2720(a)(2) defines "fair market value" as having the meaning set forth in Code of Civil Procedure Section 1263.320, which states that fair market value is "the highest price ... that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for doing, nor obligated to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for doing so." The Act, therefore, requires that any water corporation acquiring a public water system use the fair market value as the rate base value of the acquired distribution system.

Applicants request that the Commission authorize inclusion of the full purchase price reached through the Asset Purchase Agreement into California American Water's rate base. As described above, this purchase price is the result of arms' length negotiations between a willing

¹⁶ Id. at MDR Response Attachment 26 (Confidential), at Section 2.2(b) and (e); Asset Purchase Agreement, Exhibit 4, pp. 38-39 ("Calculation of Adjustment Amount").

and knowledgeable buyer and seller. The total purchase price therefore represents the fair market value for the assets purchased, pursuant to Public Utilities Code Section 2720 and Code of Civil Procedure Section 1263.320(a).

D.99-10-064 specifically recognizes that Public Utilities Code Sections 2718-2720 require that any water corporation acquiring a public water system use the fair market value as the rate base value of the acquired distribution system. It should also be noted that, as the appraisal makes clear, the value of the rate base being requested is well below the replacement or reproduction cost new less depreciation value for the system. In addition to being required by statute, the ratemaking requested is in the public interest. The purchase of West San Martin's assets by California American Water supports and furthers the long-term provision of safe, reliable, and affordable water and services to current West San Martin customers.

B. The Appraisal Complies with Commission Guidelines and Supports the Acquisition

The "West San Martin Water Works, Inc. Water System Condition Assessment, Valuation and Capital Improvement Plan," dated March 2023 ("Appraisal"), is MDR Response 13 Attachment. The Appraisal complies with Commission guidelines and is appropriate for this type of transaction. The \$10.6 million appraised value for the system well exceeds the possible maximum purchase price or \$1.8 million. Thus, the Appraisal supports approval of the acquisition.

Under the Commission guidelines for water system acquisitions established in D.99-10-064, Appendix D, Section 2.05, applications to acquire water systems should include an appraisal and that appraisal "should include all assets, including the value of the land and the cost of replacing the existing improvements, less accumulated depreciation." The Appraisal provided with this Advice Letter includes all assets and the cost of replacing those assets less accumulated depreciation.¹⁷ It, therefore, meets these requirements.

D.99-10-064, Appendix D, Section 2.05 further states: "The complexity and detail required [for the appraisal] will necessarily vary based on the size and price of the acquired water system." West San Martin is a small water system acquisition. The total purchase price is well below \$2 million dollars. The number of connections barely exceeds 300. The Appraisal, therefore, is simpler and not as complex as larger, more sophisticated acquisitions might require.¹⁸

¹⁷ See Appraisal, p. 13, include as MDR Response 13 Attachment.

¹⁸ The appraisal in this acquisition is a Replacement Cost New Less Depreciation Appraisal. It considers basic depreciation of the assets. It does not, as significantly more complex appraisals do, account for things such as economic obsolescence. By way of example, in A.20-04-003, California American Water sought Commission authorization to purchase the East Pasadena Water Company. That transaction involved a \$34 million purchase price for a system with over 3,000 connections. The "size and price" of that acquisition warranted a correspondingly more complex appraisal that considered economic obsolescence. In that case, the total value of the system prior to consideration of economic obsolescence was \$49.2 million. Applying economic obsolescence reduced the value in the appraisal to \$43.2 million. Given that the Appraisal in

Finally, pursuant to Cal. Pub. Util. Code section 2720(b), “[i]f the fair market value exceeds the reproduction cost, as determined in accordance with Section 820 of the Evidence Code, the commission may include the difference in rate base for rate setting purposes if” certain conditions are met. Here, there is no need to conduct the section 2720(b) analysis. The appraised value of \$10.6 million well exceeds the purchase price or between \$1.6 and \$1.8 million.¹⁹

C. Rate Impact

Eventual impacts to West San Martin Water Works customers transitioning to California American Water rates will vary, depending on a customer’s usage. This acquisition will not impact current California American Water Customers’ rates or West San Martin customers’ rates until 2027.

For purposes of illustration, if current California American Water customer rates did initially change based on the acquisition, it is expected those changes would be as follows:

COMPARISON OF TOTAL RESIDENTIAL BILL PER CUSTOMER PER MONTH					
BASED ON CURRENT AUTHORIZED RATES					
District	Avg Res Usage (CGL)⁽¹⁾	Pre-Acquisition Total Bill⁽²⁾	Post-Acquisition Forecasted Total Bill	\$ Increase	% Increase
Sacramento	78.30	\$65.10	\$65.14	\$0.04	0.064%
Fruitridge	78.30	\$70.90	\$70.95	\$0.05	0.064%
Larkfield	60.47	\$81.40	\$81.45	\$0.05	0.064%
Dunnigan WW	N/A	\$41.96	\$41.98	\$0.03	0.064%
Meadowbrook	120.94	\$61.38	\$61.42	\$0.04	0.064%
Monterey	34.83	\$117.48	\$117.56	\$0.07	0.064%
Central Satellites	82.91	\$121.20	\$121.28	\$0.08	0.064%
Chualar	117.19	\$45.52	\$45.55	\$0.03	0.064%
Monterey Wastewater - Active	N/A	\$146.16	\$146.26	\$0.09	0.064%
Monterey Wastewater - Passive	N/A	\$93.15	\$93.21	\$0.06	0.064%
Ventura	92.68	\$100.96	\$101.03	\$0.06	0.064%
LA - Duarte	106.69	\$98.92	\$98.98	\$0.06	0.064%

the current acquisition came in more than \$8 million over the \$1.6 - \$1.8 million purchase price, it is not expected that, even if economic obsolescence was considered, that would reduce the appraised value to any point near where the purchase price exceeded that appraised value.

¹⁹ See Appraisal, p. 13, include here as [MDR Response 13 Attachment](#).

LA - Baldwin Hills	89.06	\$87.79	\$87.84	\$0.06	0.064%
LA - San Marino	121.95	\$113.28	\$113.35	\$0.07	0.064%
San Diego	56.70	\$78.91	\$78.96	\$0.05	0.064%
West San Martin	113.56	\$72.44	\$72.49	\$0.05	0.064%

- (1) Residential usage per customer per month from A.22-07-001
- (2) Total Bill based on Rates from AL 1404 & AL1406
- (3) Bill impacts are presented as monthly comparison; however, flat rate residential customers are billed on a semi-annual basis. Applicable surcharges are estimated based on location.

VII. MEMORANDUM ACCOUNTS

California American Water seeks authorization to track certain costs in the memorandum accounts discussed below. Costs included therein may be considered for recovery in subsequent GRCs. Establishing memorandum accounts does not guarantee recovery of costs. It is simply a first step in the recovery process. To establish a memorandum account, the following may be considered with respect to the expense to be tracked: (1) were they caused by an event of an exceptional nature not under the control of the utility; (2) could they have been reasonably foreseen; (3) are they of a substantial nature in monetary terms; and (4) do ratepayers benefit from the memorandum account treatment.

A. West San Martin Acquisition Contingency Memorandum Account

Although integration of West San Martin for ratemaking purposes will not take place until 2027, it is still necessary for California American Water to obtain recovery of the approved acquisition consideration paid in the interim period. To track this revenue requirement associated with the acquisition, California American Water requests authority to create the WSMACMA to track lost revenue from all affected entities until the acquisition can be integrated for ratemaking purposes as part of a subsequent GRC. This account would capture the differences between revenues billed at current West San Martin rates and revenues that would have been billed under the final rates effective January 1, 2024²⁰, if the West San Martin system were integrated for ratemaking following the decision in California American Water's pending GRC. The associated revenue requirement will consist of items including, but not limited to, return on investment, ad valorem tax, depreciation, general office costs, other taxes and fees, and incremental operating expenses.

Here, the requirements under Standard Practice U-27-W to establish a memorandum account are met. First, the expense is caused by an event of an exceptional nature not under

²⁰ This differential capture would include differences in all revenue requirements of all entities in California American Water where a difference may occur due to the inability to capture the West San Martin acquisition in the prior California American Water GRC.

the utility's control. This memorandum account is only required because the acquisition could not be incorporated into the GRC filed on July 1, 2022 for Test Year 2024. As noted above, the APA was executed on December 20, 2022, or a little more than 6 months after the submittal of California American Water's GRC application filed in July 2022, and this Advice Letter requesting approval of the acquisition was filed in July of 2023. Clearly, it was not possible for California American Water to include incorporation of the West San Martin acquisition within the last GRC filing. Further, the acquisition of a Class D water system with over 300 connections is an event of exceptional nature. The Commission will decide on the schedule for this proceeding and the date of the ultimate Resolution. Such a Resolution and its timing are outside of California American Water's control.

Second, the expenses in question here could not have been reasonably foreseen in California American Water's last GRC and would occur before the utility's next scheduled case. California American Water's last GRC for which there is a final decision is Application 19-07-004, filed on July 1, 2019 and closed with D.21-11-018 issued in November of 2021. As noted above, California American Water has a pending GRC Application, A.22-07-001. This Advice Letter for the acquisition of West San Martin is being filed in July 2023, so clearly it could not have been reasonably foreseen in the last GRC decision issued by the Commission or even in the last GRC Application filed by California American Water. California American Water's next GRC Application will be filed in July of 2025 for Test Year 2027. Although this acquisition filing will be incorporated into that GRC, it will likely be approved prior to the 2027 Test Year.

Third, the expense is of a substantial nature as to the amount of money involved. The requested memorandum account would track the differences between revenues billed at current rates and revenues that would have been billed assuming full ratemaking integration upon close. The associated revenue requirement will consist of items including, but not limited to, return on investment, ad valorem tax, depreciation, other taxes and fees, and incremental operating expenses. Given the rate base at issue, these expenses would be of a substantial nature.

Fourth, the ratepayers will benefit by the memorandum account treatment. The purchase of West San Martin by California American Water promotes the public interest and is in line with Commission and SWRCB directives and findings, which recognize that the purchase of smaller utilities is important and provides benefits, including to ratepayers. Ensuring the appropriate recovery of costs associated with such transactions helps make such acquisitions possible. Further, a memorandum account provides for tracking of costs for future Commission prudence and reasonableness review prior to cost recovery. Thus, customers will benefit from the acquisition and will benefit by establishment of this account.

B. West San Martin Transaction Cost Memorandum Account

With any acquisition, certain transaction costs are inevitable. Here, they may include the cost for outsourced services, such as legal, engineering, surveying, the appraisal, noticing, and other professional activities necessary to complete the proposed transaction. California American Water requests establishment of a memorandum account to track these transaction costs.

This memorandum account meets the requirements established pursuant to Commission Standard Practice U-27-W. With respect to transaction costs, each of these requirements is met. First, the expense is caused by an event of an exceptional nature that is not under the utility's control. This memorandum account is necessary given the acquisition of a Class D water utility with just above 300 connections is an event of exceptional nature.

Transaction costs are inherent in the acquisition of smaller water systems and the acquiring company should receive due consideration of recovery of these costs. The Commission will decide on the schedule for this proceeding and the date of the ultimate decision and recovery of costs. Thus, such a decision and its timing are outside of California American Water's control.

Second, the expenses in question here could not have been reasonably foreseen in California American Water's last GRC and will occur before the utility's next scheduled case. The West San Martin acquisition could not have been included in California American Water's last GRC given that the agreement between West San Martin and California American Water was not executed until December 2022 – six months after the 2022 GRC was filed. Were the Commission to approve this acquisition, California American Water intends to integrate for rates purposes the West San Martin system in California American Water's 2025 GRC, provided that can be achieved. Therefore, these transaction costs have been and will be incurred between rate cases.

Third, the expense is of a substantial nature as to the amount of money involved. As noted above, transaction costs include outsourced services, such as legal, engineering, surveying, the appraisal, noticing costs, and other professional activities necessary to complete the proposed transaction. These costs are substantial in nature.

Fourth, the ratepayers will benefit by the memorandum account treatment. As discussed in this Advice Letter, the purchase of West San Martin by California American Water promotes the public interest and is in line with Commission and SWRCB directives and findings, which recognize that the purchase of smaller utilities is important and provides benefits, including to ratepayers. Ensuring the appropriate recovery of costs associated with such transactions helps make such acquisitions possible. Further, a memorandum account provides for tracking of costs for future Commission prudence and reasonableness review prior to cost recovery. Thus, customers will benefit from the acquisition and will benefit by this account.

California American Water should be permitted to establish a memorandum account to track transaction costs for future recovery. California American Water further proposes that it be allowed to defer any unrecovered transaction cost as a recoverable regulatory asset. In its subsequent GRC, California American Water will support the prudence of the transaction costs, seek recovery of the costs, and request that the Commission authorize such recovery.

C. West San Martin Memorandum Account for Environmental Improvements and Compliance Issues

California American Water also requests Commission approval to expand the currently authorized memorandum account entitled "Memorandum Account for Environmental Improvements and Compliance Issues for Acquisitions." That approval would allow California American Water to record in that account the same type of costs in connection with the West San Martin acquisition as California American Water was allowed to record in that account for the acquisitions of the Dunnigan, Geyserville, Meadowbrook, Fruitridge Vista, East Pasadena, and Rio Plaza water systems.²¹ The costs to address environmental compliance and required

²¹ Because California American Water is not seeking to establish a new memorandum account, meeting the prerequisites for creating such an account is not necessary. That said, because of the nature of the costs to be tracked, such prerequisites are nonetheless satisfied. The

improvements have yet to be determined. Such costs are not under the utility's control, nor can they be reasonably foreseen. Compliance with such requirements, however, ensures safety, benefitting ratepayers. The proposed memorandum account treatment helps make certain that the requisite capital expenditures will be subject to regulatory oversight and that funds will be used judiciously.

VIII. CALIFORNIA ENVIRONMENTAL QUALITY ACT

California Environmental Quality Act (CEQA) review is not required as this advice letter filing involves only the transfer of the existing water facilities and no new construction or changes in the source of water supply are being proposed with the proposed asset sale. Accordingly, approval of this advice letter is not a CEQA project as it is not possible that the transaction will have any significant effect on the environment.

IX. NOTICE

The final draft of the proposed notice is included as MDR Response 20 Attachment. It was provided to the Commission's Public Advisor's Office ("PAO") on June 28, 2023. The PAO returned the edited, approved final draft later that day. The notice will be served on both California American Water customers across California as well as West San Martin Customers. Because it will take up to 45 days to send out all the notices, as indicated in the notice, the protest period for this Advice Letter will be 65 days rather than the standard 20 days.

Tier Designation:

Pursuant to General Order No. 96-B, this advice letter is designated as a Tier 3 filing.

Effective Date:

California American Water requests California American Water's Monterey District tariffs become effective for five days after California American Water files a Tier 3 Advice Letter that provides details of the finalized purchase.

Notice and Service List:

In accordance with General Order 96-B, General Rule 4.3 and 7.2 and Water Industry Rule 4.1, a copy of this advice letter will be transmitted electronically to competing and adjacent utilities and other utilities or interested parties having requested such notification. ***Please note that this advice letter will only be distributed electronically.***

A sample copy of notice provided to West San Martin Water Works customers is attached as Exhibit H. A sample copy of notice provided to existing California American Water Monterey District customers is attached as Exhibit I.

memorandum account treatment helps make certain that the requisite capital expenditures will be subject to regulatory oversight and that funds are used judiciously.

Protest and Responses:

Anyone may respond to or protest this advice letter. A response supports the filing and may contain information that proves useful to the Commission in evaluating the advice letter.

A protest objects to the advice letter in whole or in part and must set forth the specific grounds on which it is based. These grounds may include the following:

- (1) The utility did not properly serve or give notice of the advice letter;*
- (2) The relief requested in the advice letter would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;*
- (3) The analysis, calculations, or data in the advice letter contain material error or omissions;*
- (4) The relief requested in the advice letter is pending before the Commission in a formal proceeding; or*
- (5) The relief requested in the advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process; or*
- (6) The relief requested in the advice letter is unjust, unreasonable, or discriminatory (provided that such a protest may not be made where it would require relitigating a prior order of the Commission.)*

A protest shall provide citations or proofs where available to allow staff to properly consider the protest.

A response or protest must be made in writing or by electronic mail and must be received by the Water Division within 65 days of the date this advice letter is filed. The address for mailing or delivering a response or protest is:

Tariff Unit, Water Division, 3rd floor
California Public Utilities Commission,
505 Van Ness Avenue, San Francisco, CA 94102
water_division@cpuc.ca.gov

On the same date the response or protest is submitted to the Water Division, the respondent or protestant shall send a copy by mail (or e-mail) to us, addressed to:

Recipients:	E-Mail:	Mailing Address:
CA Rates	ca.rates@amwater.com	520 Capitol Mall, Suite 630 Sacramento, CA 95814
Sarah E. Leeper	sarah.leeper@amwater.com	555 Montgomery Street Suite 816

<i>Vice President - Legal, Regulatory</i>		San Francisco, CA 94102 Fax: (415) 863-0615
Nicholas Subias Director, Legal – Regulatory	nicholas.subias@amwater.com	555 Montgomery Street Suite 816 San Francisco, CA 94102 Fax: (415) 293-3024
Jonathan Morse <i>Sr. Manager – Rates & Regulatory</i>	jonathan.morse@amwater.com	520 Capitol Mall, Suite 630 Sacramento, CA 95814

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform the Water Division, within the protest period (here, 65-days), so that a late filed protest can be entertained. The informing document should include an estimate of the date the proposed protest might be voted on.

The actions requested in this advice letter are not now the subject of any formal filings with the California Public Utilities Commission, including a formal complaint, nor action in any court of law.

This filing will not cause the withdrawal of service, nor conflict with other schedules or rules.

If you have not received a reply to your protest within 10 business days, please contact me at (916) 568-4279.

CALIFORNIA-AMERICAN WATER COMPANY

/s/ Leana Ramirez

Leana Ramirez
Business Support Specialist

ALL DISTRICTS SERVICE LIST
CALIFORNIA-AMERICAN WATER COMPANY

BY MAIL:

	Noland, Hamerly, Etienne & Hoss 333 Salinas Street Salinas, CA 93901	Mark Brooks Utility Workers Union Of America 521 Central Ave. Nashville, TN 37211
Maxine Harrison California Public Utilities Commission Executive Division 320 West 4th Street Suite 500 Los Angeles, CA 90013	Wallin, Kress, Reisman & Krantiz, LLP 11355 West Olympic Blvd., SUITE 300 Los Angeles, CA 90064	Ann Camel City Clerk City of Salinas 200 Lincoln Avenue Salinas, CA 93901
Gregory J. Smith, County Clerk County of San Diego County Administration Center 1600 Pacific Highway, Room 260 San Diego, CA 92101	Barbara Delory 4030 Bartlett Avenue Rosemead, CA 91770-1332	Carol Nickborg POB 4029 Monterey, CA 93942
Jim Sandoval, City Manager City of Chula Vista 276 Forth Avenue Chula Vista, CA 91910	Gary E. Hazelton County Clerk – Recorder Santa Cruz County 701 Ocean Street, Room 210 Santa Cruz, CA 95060	Steven J. Thompson 5224 Altana Way Sacramento, CA 95814
Sacramento County WMD 827 7th Street, Room 301 Sacramento, CA 95814	Henry Nanjo Department of General Services Office of Legal Services, MS-102 PO Box 989052 West Sacramento, CA 95798-9052	Hatties Stewart 4725 S. Victoria Avenue Los Angeles, CA 90043
Citrus Heights Water District 6230 Sylvan Road Citrus Heights, CA 95610 rchurch@chwd.org	City of Chula Vista Director of Public Works 276 Forth Avenue Chula Vista, CA 91910	Anne Moore, City Attorney City of Chula Vista 276 Forth Avenue Chula Vista, CA 91910
San Gabriel County Water District 8366 Grand Ave Rosemead, CA 91770	City of Camarillo 601 Carmen Drive Camarillo, CA 93010	Karen Crouch City Clerk, Carmel-By-The-Sea PO Box CC Carmel-by-the-Sea, CA 93921
Louis A. Atwell Director of Public Works City of Inglewood One W. Manchester Blvd. Inglewood, CA 90301	Los Angeles Docket Office California Public Utilities Commission 320 West 4th Street, Suite 500 Los Angeles, CA 90013	Marcus Nixon Asst. Public Advisor 320 W. 4th Street, Suite 500 Los Angeles, CA 90013

ALL DISTRICTS SERVICE LIST
CALIFORNIA-AMERICAN WATER COMPANY

James R. Lough, City Attorney
City of Imperial Beach
825 Imperial Beach Blvd.
Imperial Beach, CA 91932

Ventura County Waterworks District
7150 Walnut Canyon Road
P.O. Box 250
Moorpark, CA 93020

Temple City
City Clerk
9701 Las Tunas Dr.
Temple City, CA 91780

Robert C. Baptiste
9397 Tucumcari Way
Sacramento, CA 95827-1045

Michelle Keith
City Manager
City of Bradbury
600 Winston Avenue
Bradbury, CA 91008

City of Los Angeles
Department of Water and Power
111 North Hope Street
Los Angeles, CA 90012
Attn: City Attorney

Mario Gonzalez
111 Marwest Commons Circle
Santa Rosa, CA 95403

City of Sand City
City Hall
California & Sylvan Avenues
Sand City, CA 93955
Attn: City Clerk

Darryl D. Kenyon
Monterey Commercial Property Owners
Association
P.O. Box 398
Pebble Beach, CA 93953

William M. Marticorena
Rutan & Tucker, LLP
611 Anton Blvd., 14th Floor
Costa Mesa, CA 92626-1931

Yazdan Enreni, P.E.
Public Works Director
Monterey County DPW
168 West Alisal Steet, 2nd Floor
Salinas, CA 93901-4303

Edward W. O'Neill
Davis Wright Tremaine LLP
505 Montgomery Street
San Francisco, CA 94111-6533

James L. Markman
Richards, Watson & Gershon
355 South Grand Avenue, 40th Floor
Los Angeles, CA 90071-3101

Fruitridge Vista Water Company
P.O. Box 959
Sacramento, CA 95812

Marc J. Del Piero
4062 El Bosque Drive
Pebble Beach, CA 93953-3011

Rex Ball
SR/WA, Senior Real Property MGMT
County of Los Angeles
222 South Hill Street, 3rd Floor
Los Angeles, CA 90012

Monterey Regional Water Pollution
Control Agency (MRWPCA)
5 Harris Court Road. Bldg D.
Monterey, CA 93940

Barbara Morris Layne
36652 Hwy 1, Coast Route
Monterey, CA 93940

City of San Gabriel
City Clerk
425 S. Mission Drive
San Gabriel, CA 91776

Carol Smith
6241 Cavan Drive, 3
Citrus Heights, CA 95621

Irvin L. Grant
Deputy County Counsel
County of Monterey
168 W. Alisal Street, 3rd floor
Salinas, CA 93901-2680

Michelle Keith
City Manager
City of Bradbury
600 Winston Avenue
Bradbury, CA 91008

Anthony La Bouff, County Counsel
Placer County
175 Fulweiler Avenue
Auburn, CA 95603

Deborah Mall, City Attorney
City of Monterey
512 Pierce Street
Monterey, CA 93940

ALL DISTRICTS SERVICE LIST
CALIFORNIA-AMERICAN WATER COMPANY

Penngrove/Kenwood Water Co
4984 Sonoma Hwy
Santa Rosa, CA 95409

Will and Carol Surman
36292 Highway One
Monterey, CA 93940

City of Thousand Oaks Water Dept.
2100 E. Thousand Oaks Blvd.
Thousand Oaks, CA 91362

City of Monrovia
City Clerk
415 South Ivy Ave
Monrovia, CA 91016

Don Jacobson
115 Farm Road
Woodside, CA 94062-1210

Rio Linda Water District
730 L Street
Rio Linda, CA 95673

City of Rosemead
City Clerk
8838 E. Valley Blvd
Rosemead, CA 91770

Jose E. Guzman, Jr.
Guzman Law Offices
288 Third Street, Ste. 306
Oakland, CA 94607

Robert A. Ryan, Jr.
County of Sacramento
Downtown Office
700 H Street, Suite 2650
Sacramento, CA 95814

Alco Water Service
249 Williams Road
Salinas, CA 93901

Sacramento Suburban Water District
3701 Marconi Avenue, Suite 100
Sacramento, CA 95821-5303

Valerie Ralph, Clerk of the Board
County of Monterey
P.O. Box 1728
Salinas, CA 93902

BY E-MAIL:

Public Advocates Office
California Public Utilities Commission
dra_water_al@cpuc.ca.gov

Lori Ann Dolqueist
Nossaman LLP
50 California Street, 34th Floor
San Francisco, CA 94111
ldolqueist@nossaman.com

Johanna Canlas, City Attorney
City of Coronado
501 West Broadway, Suite 1600
Coronado, CA 92101
jcanlas@bwslaw.com

Sunnyslope Water Company
1040 El Campo Drive
Pasadena, CA 91109
sswc01_jcobb@sbcglobal.net

Richard Rauschmeier
California Public Utilities Commission
PAO - Water Branch, Rm 4209
505 Van Ness Ave
San Francisco, CA 94102
rra@cpuc.ca.gov

Ms. Lisa Bilir
California Public Utilities Commission
Public Advocates Office
505 Van Ness Avenue
San Francisco, CA 94102
Lwa@cpuc.ca.gov

East Pasadena Water Company
3725 Mountain View
Pasadena, CA 91107
larry@epwater.com

Christina Baker, City Clerk
City of San Marino
2200 Huntington Drive, 2nd floor
San Marino, CA 91108
cityclerk@cityofsanmarino.org

**ALL DISTRICTS SERVICE LIST
CALIFORNIA-AMERICAN WATER COMPANY**

Annette Juarez, City Clerk
City of Duarte
1600 Huntington Drive
Duarte, CA 91010
ajuarez@accessduarte.com

B. Tilden Kim
Attorney At Law
Richards Watson & Gershon
355 South Grand Avenue, 40th Floor
Los Angeles, CA 90071
tkim@rwglaw.com

Monterey Peninsula Water Mgmt Dist.
Chief Financial Officer
P.O. Box 85
Monterey, CA 93942
suresh@mpwmd.net
arlene@mpwmd.net
Rates Department
California Water Service Company
1720 North First Street
San Jose, CA 95112
rateshelp@calwater.com

Laura Nieto
City of Irwindale
Chief Deputy City Clerk
5050 North Irwindale Avenue
Irwindale, CA 91706
lnieto@IrwindaleCA.gov

Dana McRae
County Counsel
County of Santa Cruz
701 Ocean Street, Room 505
Santa Cruz, CA 95060
dana.mcrae@co.santa-cruz.ca.us

Citrus Heights Water District
6230 Sylvan Road
Citrus Heights, CA 95610
hstraus@chwd.org

Johnny Yu
5356 Arnica Way
Santa Rosa, CA 95403
johnnyyu@sbcglobal.net

Lisa Travis
Deputy County Counsel
County of Sacramento
600 8th Street
Sacramento, CA 95814
travisl@saccounty.net

Barry Gabrielson
bdgabriel1@aol.com

John Corona
Utilities Superintendent
City of Arcadia Water Dept.
Arcadia, CA 91006
jcorona@arcadiaca.gov

San Gabriel Valley Water Company
11142 Garvey Blvd.
El Monte, CA 91734
dadellosa@sgvwater.com

City of Inglewood
City Hall
One W. Manchester Blvd.
Inglewood, CA 90301
brai@cityofinglewood.org

James Bouler
Larkfield/Wikiup Water District Advisory
133 Eton Court
Santa Rosa, CA 95403
jbouler@comcast.net

Tim & Sue Madura
411 Firelight Drive
Santa Rosa, CA 95403
suemadura@sbcglobal.net

City of Sacramento, Water Division
1391 35th Avenue
Sacramento, CA 95822
utilities@cityofsacramento.org

Cliff Finley, PE
Director of Public Works
City of Thousand Oaks
2100 Thousand Oaks Blvd
Thousand Oaks, CA 91363
cfinley@toaks.org

Placer County Water Agency
Customer Service Department
customerservices@pcwa.net

John K. Hawks
Executive Director
California Water Association
601 Van Ness Avenue, Suite 2047
San Francisco, CA 94102-3200
jhawks_cwa@comcast.net

Mary Martin
4611 Brynhurst Ave.
Los Angeles, CA 90043
Marymartin03@aol.com

Brent Reitz
Capital Services
P.O. Box 1767
Pebble Beach CA 93953
reitzb@pebblebeach.com

Marvin Philo
3021 Nikol Street
Sacramento, CA 95826
mhphilo@aol.com

Jim McCauley, Clerk-Recorder
Placer County
2954 Richardson Drive
Auburn, CA 95603
skasza@placer.ca.gov

Jim Heisinger
P.O. Box 5427
Carmel, CA 93921
hbm@carmellaw.com

ALL DISTRICTS SERVICE LIST
CALIFORNIA-AMERICAN WATER COMPANY

Florin County Water District
P.O. Box 292055
Sacramento, CA 95829
fcwd@sbcglobal.net

George Riley
Citizens for Public Water
1198 Castro Road
Monterey, CA 91940
georgetriley@gmail.com

City of Del Rey Oaks
City Hall
650 Canyon Del Rey Road
Del Rey Oaks, CA 93940
Attn: City Clerk
citymanager@delreyoaks.org
kminami@delreyoaks.org

David C. Laredo and Fran Farina
Attorneys at Law
DeLay & Laredo
606 Forest Ave
Pacific Grove, CA 93950
dave@laredolaw.net

City of El Monte
Chief Deputy City Clerk
11333 Valley Blvd
El Monte CA 91731-3293
Cityclerk@elmonteca.gov

County of Ventura
800 South Victoria Avenue
Ventura, CA 93009
wspc@ventura.org

Jennifer Ekblad, MMC, CPM
City Clerk
City of Coronado
1825 Strand Way
Coronado, CA 92118
cityclerk@coronado.ca.us

Amy Van, City Clerk
City of Citrus Heights
6237 Fountain Square Drive
Citrus Heights, CA 95621
avan@citrusheights.net

Yvonne Zepeda, Deputy City Clerk
City of Isleton
P.O. Box 716
Isleton, CA 95641
Yvonne.zepeda@cityofisleton.com

Clerk of the Board
County of Monterey
P.O. Box 1728
Salinas, CA 93902
cob@co.monterey.ca.us

Bernardo R. Garcia
PO Box 37
San Clemente, CA 92674-0037

Mike Niccum
General Manager
Pebble Beach Community Svcs. District
3101 Forest Lake Road
Pebble Beach, CA 93953
mniccum@pbcsd.org

Carmel Area Wastewater District
3945 Rio Road
Carmel, CA 93923
buikema@cawd.org

Monterey Peninsula Water Mgmt Dist.
Chief Financial Officer
P.O. Box 85
Monterey, CA 93942
suresh@mpwmd.net

Laura L. Krannawitter
California Public Utilities Commission
Executive Division, Rm 5303
505 Van Ness Avenue
San Francisco, CA 94102
Laura.krannawitter@cpu.ca.gov

City of Monterey
City Hall
Monterey, CA 93940
Attn: City Clerk
connolly@ci.monterey.ca.us

City of Seaside, City Hall
Seaside, CA 93955
Attn: City Clerk
dhodgson@ci.seaside.ca.us
to'halloran@ci.seaside.ca.us
cityatty@ix.netcom.com
cityattorney@ci.seaside.ca.us

City of Salinas
Christopher A. Callihan, Esq.
City Attorney
200 Lincoln Avenue
Salinas, CA 93901
chrisc@ci.salinas.ca.us

Audrey Jackson
Golden State Water Company
630 E. Foothill Blvd.
San Dimas, CA 91773
afjackson@gswater.com

David Heuck
Accounting
2700 17 Mile Drive
Pebble Beach, CA 93953
heuckd@pebblebeach.com

Mara W. Elliott, City Attorney
City of San Diego
1200 Third Avenue, Suite 1620
San Diego, CA 92101
cityattorney@sandiego.gov

ALL DISTRICTS SERVICE LIST
CALIFORNIA-AMERICAN WATER COMPANY

Thomas Montgomery, County Counsel
County of San Diego
County Administration Center
1600 Pacific Highway, Room 260
San Diego, CA 92101
thomas.montgomery@sdcounty.ca.gov

Sheri Damon
City of Seaside, City Attorney
440 Harcourt Avenue
Seaside, CA 93955
cityatty@ix.netcom.com
cityattorney@ci.seaside.ca.us

Rafael Lirag
California Public Utilities Commission
Administrative Law Judge
505 Van Ness Avenue Room 4101
San Francisco, CA 94102-3214
Rafael.lirag@cpuc.ca.gov

Jacqueline M. Kelly, MMC
City Clerk
City of Imperial Beach
825 Imperial Beach Blvd.
Imperial Beach, CA 91932
jkelly@imperialbeachca.gov

Susan Sommers
City Of Petaluma
P.O. Box 61
Petaluma, CA 94953
suesimmons@ci.petaluma.ca.us

Elizabeth Maland, City Clerk
City of San Diego
202 C Street, 2nd Floor
San Diego, CA 92101
cityclerk@sandiego.gov

Jon Giffen
City Attorney
City of Carmel-By-The-Sea
P.O. Box 805
Carmel-By-The-Sea, CA 93921
jgiffen@kaglaw.net

CALIFORNIA-AMERICAN WATER COMPANY
ADVICE LETTER 1416
SUPPORTING DOCUMENTATION FOR STAFF

**West San Martin Acquisition
TABLE OF CONTENTS**

	<u>Page</u>
Financial Calculations PP1	1-1
Financial Calculations PP2.....	2-1
MDRs--REDACTED.....	3-1

**CALIFORNIA AMERICAN WATER
WEST SAN MARTIN WATER COMPANY ACQUISITION**

**REVENUE REQUIREMENT ASSUMING CONSOLIDATION
(\$ in Thousands)**

\$1.8M PURCHASE PRICE

	West San Martin Forecast	West San Martin Standalone Post- Acquisition Without Increase/Decrease in Rates**	West San Martin Standalone Post- Acquisition Earning Authorized ROR	West San Martin Revenue Supported Rate Base	Revenue Requirement of Rate Base Transferred to Corporate	CAW Forecasted (per GRC A. 22- 07-001)	Combined
	Year 2024* (1)	Year 2024* (2)	Year 2024* (3)	Year 2024* (4)	Year 2024* (5)	Year 2024* (6)	Year 2024* (7) = (3) + (6)
Operating Revenues							
Total Revenue	670.5	670.5	889.6	670.5	219.1	344,155	345,045
Operation & Maintenance Exp							
Total O&M expenses	619.7	579.9	579.9	579.9	-	200,007	200,587
Depreciation	20.4	51.3	51.3	15.0	36.3	44,094	44,145
General Taxes	68.1	68.1	68.1	19.9	48.2	13,384	13,452
Total Operating Expenses	708.1	699.4	699.4	614.9	84.5	257,484	258,184
Income Before Income Taxes	(37.7)	(28.9)	190.2	55.6	134.6	86,671	86,861
Total Income Taxes	3.2	-	53.2	15.6	37.7	17,211	17,264
TOTAL EXPENSES	711.3	699.4	752.6	630.4	122.2	274,695	275,448
Utility Operating Income	(40.9)	(28.9)	137.0	40.1	96.9	69,460	69,597
Average Rate Base	292.8	1,800.0	1,800.0	526.3	1,273.7	912,744	914,544
Return on Rate Base	-13.95%	-1.60%	7.61%	7.61%	7.61%	7.61%	7.61%
% Revenue Increase Attributed to West San Martin Customers:							0.19%
% Revenue Increase Attributed to CAW customers:							0.06%
Total % Revenue Increase:							0.26%

*Assumes acquisition closes in 2024 per CPUC approved processing schedule approved in D.99-10-064 and estimated 30 to 90 days post-Decision to close

**Modeling assumes synergies incorporated in Y1

**CALIFORNIA AMERICAN WATER
WEST SAN MARTIN WATER COMPANY ACQUISITION
\$1.8M PURCHASE PRICE**

COMPARISON OF TOTAL RESIDENTIAL BILL PER CUSTOMER PER MONTH BASED ON CURRENT AUTHORIZED RATES					
District	Avg Res Usage (CGL)⁽¹⁾	Pre-Acquisition	Post-Acquisition	\$ Increase	% Increase
		Total Bill⁽²⁾	Forecasted Total Bill		
Sacramento	78.30	\$65.10	\$65.14	\$0.04	0.064%
Fruitridge	78.30	\$70.90	\$70.95	\$0.05	0.064%
Larkfield	60.47	\$81.40	\$81.45	\$0.05	0.064%
Dunnigan WW	N/A	\$41.96	\$41.98	\$0.03	0.064%
Meadowbrook	120.94	\$61.38	\$61.42	\$0.04	0.064%
Monterey	34.83	\$117.48	\$117.56	\$0.07	0.064%
Central Satellites	82.91	\$121.20	\$121.28	\$0.08	0.064%
Chualar	117.19	\$45.52	\$45.55	\$0.03	0.064%
Monterey Wastewater - Active	N/A	\$146.16	\$146.26	\$0.09	0.064%
Monterey Wastewater - Passive	N/A	\$93.15	\$93.21	\$0.06	0.064%
Ventura	92.68	\$100.96	\$101.03	\$0.06	0.064%
LA - Duarte	106.69	\$98.92	\$98.98	\$0.06	0.064%
LA - Baldwin Hills	89.06	\$87.79	\$87.84	\$0.06	0.064%
LA - San Marino	121.95	\$113.28	\$113.35	\$0.07	0.064%
San Diego	56.70	\$78.91	\$78.96	\$0.05	0.064%
West San Martin	113.56	\$72.44	\$72.49	\$0.05	0.064%

- (1) Residential usage per customer per month from A.22-07-001
(2) Total Bill based on Rates from AL 1404
(3) Bill impacts are presented as monthly comparison, however flat rate residential customers are billed on a semi-annual basis

* Surcharges are estimated as License Tax, Franchise Fee, and WRAM/MCBA varies base on location.

**CALIFORNIA AMERICAN WATER
WEST SAN MARTIN WATER COMPANY ACQUISITION
\$1.8M PURCHASE PRICE**

COMPARISON OF TOTAL RESIDENTIAL BILL PER CUSTOMER PER MONTH BASED ON PENDING GRC RATE CHANGES					
District	Avg Res Usage (CGL)⁽¹⁾	Pre-Acquisition Total Bill⁽²⁾	Post-Acquisition		
			Forecasted Total Bill	\$ Increase	% Increase
Sacramento	78.30	\$67.20	\$67.24	\$0.04	0.064%
Fruitridge	78.30	\$70.99	\$71.03	\$0.05	0.064%
Larkfield	60.47	\$78.80	\$78.85	\$0.05	0.064%
Dunnigan WW	N/A	\$48.56	\$48.59	\$0.03	0.064%
Meadowbrook	120.94	\$58.64	\$58.67	\$0.04	0.064%
Monterey	34.83	\$112.81	\$112.88	\$0.07	0.064%
Central Satellites	82.91	\$129.97	\$130.05	\$0.08	0.064%
Chualar	117.19	\$45.67	\$45.70	\$0.03	0.064%
Monterey Wastewater - Active	N/A	\$159.90	\$160.01	\$0.10	0.064%
Monterey Wastewater - Passive	N/A	\$100.84	\$100.90	\$0.06	0.064%
Ventura	92.68	\$101.83	\$101.90	\$0.06	0.064%
LA - Duarte	106.69	\$100.92	\$100.98	\$0.06	0.064%
LA - Baldwin Hills	89.06	\$88.93	\$88.98	\$0.06	0.064%
LA - San Marino	121.95	\$113.66	\$113.73	\$0.07	0.064%
San Diego	56.70	\$77.56	\$77.61	\$0.05	0.064%
West San Martin	113.56	\$72.44	\$72.49	\$0.05	0.064%

- (1) Residential usage per customer per month from A.22-07-001
(2) Total Bill from Application 22-07-001 before the California Public Utilities Commission
(3) Bill impacts are presented as monthly comparison, however flat rate residential customers are billed on a semi-annual basis

* Surcharges are estimated as License Tax, Franchise Fee, and WRAM/MCBA varies base on location.

CALIFORNIA AMERICAN WATER
WEST SAN MARTIN WATER COMPANY ACQUISITION
\$1.8M PURCHASE PRICE

Results of Operations Year 1 and Year 5 Projections (\$1,000)

	California American Water*		West San Martin		Combined Water Companies	
	Y1 **	Y5 ***	Y1 **	Y5 ***	Y1 **	Y5 ***
Operating Water Revenues	\$ 344,155	\$ 424,855	\$ 670	\$ 728	\$ 344,826	\$ 425,583
Operating Expenses	\$ 200,007	\$ 218,490	\$ 580	\$ 630	\$ 200,587	\$ 219,120
Depreciation	\$ 44,094	\$ 59,345	\$ 51	\$ 86	\$ 44,145	\$ 59,430
General Taxes	\$ 13,384	\$ 16,915	\$ 68	\$ 74	\$ 13,452	\$ 16,989
Total Exp. Before Inc Tax	\$ 257,484	\$ 294,750	\$ 699	\$ 789	\$ 258,184	\$ 295,539
Income Taxes (Fed & State)	\$ 17,211	\$ 26,031	\$ -	\$ -	\$ 17,211	\$ 26,031
Total Expenses	\$ 274,695	\$ 320,781	\$ 699	\$ 789	\$ 275,395	\$ 321,571
Net Operating Revenue	\$ 69,460	\$ 104,074	\$ (29)	\$ (61)	\$ 69,431	\$ 104,013

*Y1 based on pending GRC forecasted revenue requirement; Y5 based on GRC forecast plus escalation assumptions

** - does not include any increase due to the West San Martin acquisition since it is requested that rates are increased in Test Year 2024 of the next GRC

*** - Includes the amounts to cover the revenue shortfall per West San Martin - Attachment 1 that is proposed to be included in General Office

**CALIFORNIA AMERICAN WATER COMPANY
WEST SAN MARTIN WATER COMPANY ACQUISITION**

**REVENUE REQUIREMENT ASSUMING CONSOLIDATION
(\$ in Thousands)**

\$1.6M PURCHASE PRICE

	West San Martin Forecast	West San Martin Standalone Post- Acquisition Without Increase/Decrease in Rates**	West San Martin Standalone Post- Acquisition Earning Authorized ROR	West San Martin Revenue Supported Rate Base	Revenue Requirement of Rate Base Transferred to Corporate	CAW Forecasted (per GRC A. 22- 07-001)	Combined
	Year 2024* (1)	Year 2024* (2)	Year 2024* (3)	Year 2024* (4)	Year 2024* (5)	Year 2024* (6)	Year 2024* (7) = (3) + (6)
Operating Revenues							
Total Revenue	670.5	670.5	862.7	670.5	192.3	344,155	345,018
Operation & Maintenance Exp							
Total O&M expenses	619.7	579.9	579.9	579.9	-	200,007	200,587
Depreciation	20.4	45.6	45.6	14.6	31.0	44,094	44,139
General Taxes	68.1	68.1	68.1	21.8	46.3	13,384	13,452
Total Operating Expenses	708.1	693.7	693.7	616.3	77.3	257,484	258,178
Income Before Income Taxes	(37.7)	(23.2)	169.1	54.1	114.9	86,671	86,840
Total Income Taxes	3.2	-	47.3	15.1	32.2	17,211	17,258
TOTAL EXPENSES	711.3	693.7	741.0	631.5	109.5	274,695	275,436
Utility Operating Income	(40.9)	(23.2)	121.8	39.0	82.8	69,460	69,582
Average Rate Base	292.8	1,600.0	1,600.0	512.2	1,087.8	912,744	914,344
Return on Rate Base	-13.95%	-1.45%	7.61%	7.61%	7.61%	7.61%	7.61%
% Revenue Increase Attributed to West San Martin Customers:							0.19%
% Revenue Increase Attributed to CAW customers:							0.06%
Total % Revenue Increase:							0.25%

*Assumes acquisition closes in 2024 per CPUC approved processing schedule approved in D.99-10-064 and estimated 30 to 90 days post-Decision to close

**Modeling assumes synergies incorporated in Y1

**CALIFORNIA AMERICAN WATER COMPANY
WEST SAN MARTIN WATER COMPANY ACQUISITION
\$1.6M PURCHASE PRICE**

COMPARISON OF TOTAL RESIDENTIAL BILL PER CUSTOMER PER MONTH BASED ON CURRENT AUTHORIZED RATES					
District	Avg Res Usage (CGL) ⁽¹⁾	Pre-Acquisition Total Bill ⁽²⁾	Post-Acquisition		
			Forecasted Total Bill	\$ Increase	% Increase
Sacramento	78.30	\$65.10	\$65.13	\$0.04	0.056%
Fruitridge	78.30	\$70.90	\$70.94	\$0.04	0.056%
Larkfield	60.47	\$81.40	\$81.44	\$0.05	0.056%
Dunnigan WW	N/A	\$41.96	\$41.98	\$0.02	0.056%
Meadowbrook	120.94	\$61.38	\$61.42	\$0.03	0.056%
Monterey	34.83	\$117.48	\$117.55	\$0.07	0.056%
Central Satellites	82.91	\$121.20	\$121.27	\$0.07	0.056%
Chualar	117.19	\$45.52	\$45.55	\$0.03	0.056%
Monterey Wastewater - Active	N/A	\$146.16	\$146.25	\$0.08	0.056%
Monterey Wastewater - Passive	N/A	\$93.15	\$93.20	\$0.05	0.056%
Ventura	92.68	\$100.96	\$101.02	\$0.06	0.056%
LA - Duarte	106.69	\$98.92	\$98.97	\$0.06	0.056%
LA - Baldwin Hills	89.06	\$87.79	\$87.83	\$0.05	0.056%
LA - San Marino	121.95	\$113.28	\$113.34	\$0.06	0.056%
San Diego	56.70	\$78.91	\$78.95	\$0.04	0.056%
West San Martin	113.56	\$72.44	\$72.48	\$0.04	0.056%

(1) Residential usage per customer per month from A.22-07-001

(2) Total Bill based on Rates from AL 1404

(3) Bill impacts are presented as monthly comparison, however flat rate residential customers are billed on a semi-annual basis

* Surcharges are estimated as License Tax, Franchise Fee, and WRAM/MCBA varies base on location.

**CALIFORNIA AMERICAN WATER COMPANY
WEST SAN MARTIN WATER COMPANY ACQUISITION
\$1.6M PURCHASE PRICE**

COMPARISON OF TOTAL RESIDENTIAL BILL PER CUSTOMER PER MONTH BASED ON PENDING GRC RATE CHANGES					
District	Avg Res Usage (CGL)⁽¹⁾	Pre-Acquisition Total Bill⁽²⁾	Post-Acquisition		
			Forecasted Total Bill	\$ Increase	% Increase
Sacramento	78.30	\$67.20	\$67.24	\$0.04	0.056%
Fruitridge	78.30	\$70.99	\$71.03	\$0.04	0.056%
Larkfield	60.47	\$78.80	\$78.84	\$0.04	0.056%
Dunnigan WW	N/A	\$48.56	\$48.59	\$0.03	0.056%
Meadowbrook	120.94	\$58.64	\$58.67	\$0.03	0.056%
Monterey	34.83	\$112.81	\$112.87	\$0.06	0.056%
Central Satellites	82.91	\$129.97	\$130.04	\$0.07	0.056%
Chualar	117.19	\$45.67	\$45.69	\$0.03	0.056%
Monterey Wastewater - Active	N/A	\$159.90	\$159.99	\$0.09	0.056%
Monterey Wastewater - Passive	N/A	\$100.84	\$100.90	\$0.06	0.056%
Ventura	92.68	\$101.83	\$101.89	\$0.06	0.056%
LA - Duarte	106.69	\$100.92	\$100.97	\$0.06	0.056%
LA - Baldwin Hills	89.06	\$88.93	\$88.98	\$0.05	0.056%
LA - San Marino	121.95	\$113.66	\$113.73	\$0.06	0.056%
San Diego	56.70	\$77.56	\$77.60	\$0.04	0.056%
West San Martin	113.56	\$72.44	\$72.48	\$0.04	0.056%

- (1) Residential usage per customer per month from A.22-07-001
(2) Total Bill from Application 22-07-001 before the California Public Utilities Commission
(3) Bill impacts are presented as monthly comparison, however flat rate residential customers are billed on a semi-annual basis

* Surcharges are estimated as License Tax, Franchise Fee, and WRAM/MCBA varies base on location.

CALIFORNIA AMERICAN WATER
WEST SAN MARTIN WATER COMPANY ACQUISITION
\$1.6M PURCHASE PRICE

Results of Operations Year 1 and Year 5 Projections (\$1,000)

	California American Water*		West San Martin		Combined Water Companies	
	Y1 **	Y5 ***	Y1 **	Y5 ***	Y1 **	Y5 ***
Operating Water Revenues	\$ 344,155	\$ 424,831	\$ 670	\$ 728	\$ 344,826	\$ 425,559
Operating Expenses	\$ 200,007	\$ 218,490	\$ 580	\$ 630	\$ 200,587	\$ 219,120
Depreciation	\$ 44,094	\$ 59,345	\$ 46	\$ 80	\$ 44,139	\$ 59,425
General Taxes	\$ 13,384	\$ 16,915	\$ 68	\$ 74	\$ 13,452	\$ 16,989
Total Exp. Before Inc Tax	\$ 257,484	\$ 294,750	\$ 694	\$ 784	\$ 258,178	\$ 295,534
Income Taxes (Fed & State)	\$ 17,211	\$ 26,026	\$ -	\$ -	\$ 17,211	\$ 26,026
Total Expenses	\$ 274,695	\$ 320,776	\$ 694	\$ 784	\$ 275,389	\$ 321,560
Net Operating Revenue	\$ 69,460	\$ 104,055	\$ (23)	\$ (56)	\$ 69,437	\$ 103,999

*Y1 based on pending GRC forecasted revenue requirement; Y5 based on GRC forecast plus escalation assumptions

** - does not include any increase due to the West San Martin acquisition since it is requested that rates are increased in Test Year 2024 of the next GRC

*** - Includes the amounts to cover the revenue shortfall per West San Martin - Attachment 1 that is proposed to be included in General Office

Minimum Data Requirement Responses

In accordance with R.17-06-024 /D.20-08-047, below are Minimum Data Requirement responses in support of the Joint Advice Letter for a Resolution Authorizing Sale and Purchase of Utility Property.

1. Estimate the potential monthly incremental cost impact on existing and acquired customers based on Buyer’s most recently authorized tariffs.

Immediately following California American Water’s acquisition of West San Martin Water, there are no expected monthly incremental cost impacts to existing or acquired customers until 2027. See AL 1416 workpaper 1-2.

a. If a Buyer has pending request before the California Public Utilities Commission (“Commission”) to change rates, it must also calculate the above using data as proposed in its pending request.

California American Water has the following rate changes pending before the CPUC:

- Advice Letter 1412 – Pure Water Monterey Expansion – Carmel Valley Pump Station
- Advice Letter 1413 – Pure Water Monterey Purchased Water Surcharge Update
- Advice Letter 1415 – Water Cost of Capital Adjustment Mechanism filing¹
- Application 22-07-001 – Application of California-American Water Company for Authorization to Increase its Revenues for Water Service.
- Application 21-05-001 – Application of California-American Water Company for Authority to Establish its Authorized Cost of Capital for the Period from January 1, 2022 through December 31, 2024.²

West San Martin Water has the following anticipated rate changes pending future approval by the CPUC:

- N/A

2. If the Buyer is seeking authority to increase the acquired system’s rates to a certain level, please state the basis for the targeted rate and period of time for such targeted rate to be implemented.

N/A

3. Provide the annual depreciation expense using the proposed rate base of the

¹ Advice Letter 1415 as well as D.23-06-025 addressing cost of capital were so recently issued that their impact could not be included here. To the extent a revised calculation is requested to update figures to include those changes, California American Water will provide those revisions.

² Ibid.

acquired assets. If the exact depreciation expense is not available, provide the best estimate of the annual depreciation expense. Show how the depreciation expense is calculated.

See AL 1416 Workpaper 1-1

- 4. Provide an estimate of the annual revenue requirement of the system proposed to be acquired. Provide the assumptions for the annual revenue requirement, including expected rate of return, expected depreciation expense, O&M expenses, etc.**

See AL 1416 workpaper 1-1.

- 5. Other than the revenue requirement data requested above, separately identify all other approved and/or intended impacts to customer bills (i.e., surcharges, passthrough fees, etc.).**

California American Water does not anticipate applying any surcharges or pass-through costs approved for West San Martin Water to California American Water's current customers. If, as anticipated, West San Martin customers are included in California American Water's Customer Assistance Program, these customers would be subject to the same funding surcharge as applicable to current California American Water customers. This surcharge is currently \$1.59 per-customer per-month for all customers not enrolled in the program.

- 6. Provide a listing of any entities that currently receive free service from the acquired utility.**

1005 Highland Avenue, which is the site of the utility office, yard, and residence of the operator.

- 7. If the acquired utility has increased rates in the last year, please state the date of the increase and provide a copy of the new rate schedule and the total annual revenues projected under the new rates.**

See MDR Response Attachment 7.

- 8. Are there any leases, easements, and access to public rights-of-way that Buyer expects to be needed to provide service that will not be conveyed at closing? If yes, identify when the conveyance will take place and whether there are expected to be additional costs involved.**

At this time, it is not expected there are any leases, easements, or accesses to public rights-of-way that California American Water will need to operate the system that are not being conveyed.

- 9. Provide a breakdown of the estimated transaction and closing costs. Provide invoices to support any transaction and closing costs that have already been incurred.**

A table is provided below for invoices supporting already-incurred costs, see MDR Response 9 Attachment for related invoices. In terms of estimated future costs, that will depend on many factors, including the amount of opposition involved and the complexity of issues that arise. For example, legal closing costs on recent acquisitions have ranged between \$15,000 and \$85,000. Similarly, if the consultants who worked on the appraisal must respond to discovery, provide rebuttal, and otherwise spend more time on the matter, that will result further costs. In addition, there are expected to be costs associated with noticing and Phase 1 environmental review of real property.

Incurred Acquisition Costs

Zuber (legal)	\$ 19,390.00
Valentine Engineering (appraisal and capital plan)	\$ 17,500.00

10. Describe known and anticipated general expense savings and efficiencies under Buyer’s ownership. State the basis for assumptions used in developing these savings and efficiencies and provide all supporting documentation for the assumptions.

See Advice Letter 1416 Section V.A.1, – V.A.2., Section V.C.1 – V.C.6, Section V.D., and Section V.E.

11. Provide a copy of the Seller’s request for proposals (if there was one) and any accompanying exhibits with respect to the proposed sale of the water system or water system assets.

N/A.

12. Provide a copy of the response to the request for proposals (if there was one) of the Buyer for the purchase of the acquired water system or water system assets.

N/A.

13. For each Utility Valuation Expert (“UVE”) providing testimony or

exhibits, please provide the following:

The appraisal is provided as MDR Response 13 Attachment. The UVE is Valentine Engineering.

- a. A list of valuations of utility property performed by the UVE in the last two years:**

None.

- b. A list of appraisals of utility property performed by the UVE in the last two years:**

None.

- c. A list of all dockets in which the UVE submitted testimony to a public utility commission or regulatory authority related to the acquisition of utility property in the last two years:**

None.

- d. An electronic copy of or electronic link to written testimony in which the UVE testified on public utility fair value acquisitions in the past two years.**

None.

- 14. Explain each discount rate used in the appraisals and valuations, including explanations of the capital structure, cost of equity and cost of debt. State the basis for each input. Provide all sources, documentation, calculations and/or workpapers used in determining the inputs.**

N/A.

- 15. Explain whether the appraisal/valuation used replacement cost or reproduction cost and why that methodology was chosen.**

Cal Pub. Util. Code Section 2720(b) states: “reproduction cost, as determined in accordance with Section 820 of the Evidence Code...” Section 820 of the Evidence Code states: a witness may take into account ... the value of the land together with the cost of replacing or reproducing the existing improvements thereon....” D.99-10-064, Appendix D sets forth the guidelines for acquisitions. At Section 2.05 Appraisal, Appendix D states: “The Appraisal should include all assets, including the value of the land and the cost of replacing the existing improvements, less accumulated depreciation.”

The appraisal provided with the Advice Letter in this proceeding uses replacement value, not reproduction value. Reproduction cost looks at the cost of reproducing an exact copy of the existing system. On the other hand, replacement cost looks at

the cost of replacing a system with similar functionality, i.e., one that would use newer materials and techniques, including ones that are less costly than those needed to reproduce the old system exactly as that system was constructed in the past. Thus, reproduction costs are generally greater than replacement costs. Because replacement cost is typically lower, that is why we chose to use it here instead of the reproduction cost approach.

The Replacement Cost New Less Depreciation appraisal provided with this Advice Letter considers basic depreciation of the assets in compliance with the guidelines set forth in D.99-10-064, Appendix D, Section 2.05. The appraisal does not, as significantly more complex appraisals do, account for things such as economic obsolescence. By way of example, in A.20-04-003, California American Water sought Commission authorization to purchase the East Pasadena Water Company. That transaction involved a \$34 million purchase price for a system with over 3,000 connections. The “size and price” of that acquisition warranted a correspondingly more complex appraisal that considered economic obsolescence. In that case, the total value of the system prior to consideration of economic obsolescence was \$49.2 million. Applying economic obsolescence reduced the value in the appraisal to \$43.2 million. Given that the Appraisal in the current acquisition came in more than \$8 million over the \$1.6 - \$1.8 million purchase price, it is not expected that, even if economic obsolescence was considered, that would reduce the appraised value to any point near where the purchase price exceeded that appraised value.

16. Explain the basis for any comparable acquisitions used in the appraisal/valuation including the purchase price and number of customers for each comparable acquisition.

N/A.

17. Are there any other appraisals of the West San Martin system conducted in the past five years?

Yes. There is one. It is included as MDR Response 17 Attachment.

18. Are there any outstanding compliance issues, including but not limited to water quality violations, that the Seller’s system has pending with the Board’s Division of Drinking Water? If yes, provide the following information: No.

a. Identify the compliance issue(s):

N/A.

b. Provide an estimated date of compliance:

N/A.

c. Explain Buyer’s anticipated or actual plan for remediation:

N/A.

d. Provide Buyer’s estimated costs for remediation:

N/A.

- e. **Indicate whether the cost of remediation was or is anticipated to be factored into either or both fair market valuation appraisals offered in this proceeding.**

N/A.

- 19. Are there any outstanding compliance issues that the Seller's system has pending with the US Environmental Protection Agency? If yes, provide the following information: No.**

- a. **Identify the compliance issue(s):**

N/A.

- b. **Provide an estimated date of compliance:**

N/A.

- c. **Explain Buyer's anticipated or actual plan for remediation:**

N/A.

- d. **Provide Buyer's estimated costs for remediation; and, indicate whether the cost of remediation was or is anticipated to be factored into either or both fair market valuation appraisals offered in this proceeding.**

N/A.

- 20. Provide copies of all notices of a proposed acquisition given to affected customers.**

The proposed notice is included as MDR Response 20 Attachment.

- 21. Provide copies of all disclosures and customer notices required by Pub. Util. Code §10061 related to the sale and disposal of utilities owned by municipal corporations.**

N/A.

- 22. Describe other requests to be included in the application or advice letter, including, but not limited to, requests for approval of:**

- a. **Consulting, transition of service, water wholesaling, or other agreements:**

N/A.

- b. **Interim rate increases outside of a general rate case proceeding or other special rate treatment (e.g., CPI-U rate increases, or rate increases under Class C/D requirements):**

California American Water requests approval to file standard CPI-U rate increases as allowed for Class D utilities. For example, if the sale closes in 2024 or early 2025, California American Water would file for CPI-U increases for West San Martin customers effective January of 2025 & 2026. West San Martin would be consolidated for ratemaking in 2027. As provided in Commission standard practice, these CPI-U increases would be subject to an earnings test based on the rate base determination from this proceeding.

c. Facilities construction:

N/A

d. Memorandum or Balancing Accounts.Memorandum Accounts

California American Water requests the following memorandum accounts:

- West San Martin Contingency Memorandum Account.
- West San Martin Transaction Cost Memorandum Account.
- Memorandum Account for Environment Improvements and Compliance Issues for Acquisitions.

23. Identify the ratepayer benefits that accrue to current ratepayers of the system being acquired due to this transaction.

See Advice Letter 1416, Section V.A.1, – V.A.2., Section V.C.1 – V.C.6, Section V.D., and Section V.E.

24. Identify all actions the applicant has taken with governmental agencies related to obtaining required permits and/or approvals to effectuate the acquisition.

California American Water will provide notice to governmental agencies and work with them, as it has done in its many recent acquisitions, to ensure the acquisition proceeds efficiently and those agencies are well-informed.

25. Provide all workpapers that support the testimony for each of the documents that accompany the application or advice letter, in native format where possible.

Supporting workpapers are included with the Advice Letter.

26. Provide a copy of the purchase agreement.

Please see MDR Response 26 Attachment (Confidential), for a copy of the asset purchase agreement, dated December 20, 2022.

SUPPLEMENTAL INFORMATION**1. A list of recommended, proposed, or required capital improvements to the acquired water system known at the time of the application, with cost estimates, if available:**

Please see MDR Response 13 Attachment.

2. If applicable, supporting documentation for the designation of Disadvantaged Community:

N/A

3. If applicable, documents required by Pub. Util. Code Section 10061(c).

N/A

MDR Response Attachment 7

CALIFORNIA PUBLIC UTILITIES COMMISSION Water Division Advice Letter Cover Sheet

Utility Name: West San Martin Water Works, Inc.

Date Mailed to Service List: 8/15/22

District: NA

CPUC Utility #: WTD-170

Protest Deadline (20th Day): 9/4/22

Advice Letter #: 77-W

Review Deadline (30th Day): 9/14/22

Tier X1 2 3 Compliance

Requested Effective Date: 8/15/22

Authorization D.92-03-093

Rate Impact: \$29,614
7.0%

Description: 2021 CPI-U Rate Adjustment

The protest or response deadline for this advice letter is 20 days from the date that this advice letter was mailed to the service list. Please see the "Response or Protest" section in the advice letter for more information.

Utility Contact: Brian Ukestad

Utility Contact:

Phone: 408-683-2098

Phone:

Email: b.ukestad@wsmwater.com

Email:

DWA Contact: Tariff Unit

Phone: (415) 703-1133

Email: Water.Division@cpuc.ca.gov

DWA USE ONLY

<u>DATE</u>	<u>STAFF</u>	<u>COMMENTS</u>

[] APPROVED
REJECTED

[] WITHDRAWN

[]

Signature: _____ Comments: _____

Date: _____

West San Martin Water Works

Workpaper 3-11

1005 Highland Ave., San Martin, CA 95046

Telephone: 408-683-2098

August 15, 2022

Advice Letter No. 77-W

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

West San Martin Water Works, Inc. (WSM) hereby transmits for filing one original and one copy of this advice letter (AL) and the following tariff sheets which are enclosed:

<u>NEW SHEET #</u>	<u>TITLE</u>	<u>CANCELLING SHEET #</u>
406-W	Schedule No. 1, General Metered Service	402-W
407-W	Schedule No. 4, Private Fire Protection Service	403-W
408-W	Table of Contents	405-W

REQUEST

By AL 77-W, WSM requests permission to increase its revenues (based on increase to the present monthly quantity rate and service charge) by 7%, the Consumer Price Index (CPI) for 2021. The projected revenue increase of \$29,614 will not result in a rate of margin which exceeds the authorized rate of margin of 24.89%. Workpapers justifying this increase are enclosed.

BACKGROUND

The present rates became effective on May 12, 2021, by approval of AL No. 75-W, which implemented a Consumer Price Index increase of \$6,401 or 1.4%.

The last general rate increase became effective on February 16, 2012, pursuant to Resolution W-4905, which authorized a general rate increase of \$97,219, or 29.59% and a rate of margin of 24.89% for test year 2011.

West San Martin Water Works

Workpaper 3-12

1005 Highland Ave., San Martin, CA 95046

Telephone: 408-683-2098

AL 77-W is filed pursuant to Ordering Paragraphs No. 1 of **Decision 92-03-093** and **Resolution W-4493**, which authorize Class C and D water and sewer utilities to file a request for a CPI increase once a year by AL. The increase is to be passed on to the utility's customers in their quantity rate and service charge.

TIER DESIGNATION AND REQUESTED EFFECTIVE DATE

This AL and the enclosed tariff sheets are submitted pursuant to General Order (GO.) 96-B. AL 77-W is designated as a Tier 1 AL and the enclosed tariff sheets will become effective upon filing.¹

NOTICE

This AL does not require notice;² however, the utility shall inform its customers, by bill insert in the first bill that includes the increase, of the amount of the increase expressed in dollar and percentage terms.³ A copy of this AL has been served to all parties listed on the service list⁴ on the last page of this AL. This filing will not cause withdrawal of service nor conflict with any other schedule or rule.

RESPONSE OR PROTEST⁵

Anyone may respond to or protest this AL. A response supports the filing and may contain information that proves useful to the Commission in evaluating the AL. A protest objects to the AL in whole or in part and must set forth the specific grounds on which it is based.

These grounds are:

1. The utility did not properly serve or give notice of the AL;
2. The relief requested in the AL would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;
3. The analysis, calculations, or data in the AL contain material error or omissions;
4. The relief requested in the AL is pending before the Commission in a formal proceeding; or
5. The relief requested in the AL requires consideration in a formal hearing, or is otherwise inappropriate for the AL process; or

¹ GO. 96-B, Water Industry Rule 7.3.1

² GO. 96-B, General Rule 4.2

³ GO. 96-B, General Rule 3.2

⁴ GO. 96-B, Water Industry Rule 4.1

⁵ GO. 96-B, General Rule 7.4.1

West San Martin Water Works

1005 Highland Ave., San Martin, CA 95046

Telephone: 408-683-2098

6. The relief requested in the AL is unjust, unreasonable, or discriminatory, provided that such a protest may not be made where it would require relitigating a prior order of the Commission.

A protest may not rely on policy objections to an AL where the relief requested in the AL follows rules or directions established by statute or Commission order applicable to the utility.

A protest shall provide citations or proofs where available to allow staff to properly consider the protest. Water Division (WD) must receive a response or protest via email (or postal mail) within 20 days of the date the AL is filed. The addresses for submitting a response or protest are:

Email Address:

Water.Division@cpuc.ca.gov

Mailing Address:

California Public Utilities
Commission
Water Division, 3rd Floor
505 Van Ness Avenue
San Francisco, CA 94102

On the same day the response or protest is submitted to WD, the respondent or protestant shall send a copy of the protest to WSM at:

Email Address:

b.ukestad@wsmwater.com

Mailing Address:

West San Martin Water Works, Inc.
1005 Highland Ave
San Martin, CA 95046

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform WD, within the 20 day protest period, so that a late filed protest can be entertained. The informing document should include an estimate of the date the proposed protest might be voted on.

West San Martin Water Works

Workpaper 3-15

1005 Highland Ave., San Martin, CA 95046

Telephone: 408-683-2098

REPLIES

The utility shall reply to each protest and may reply to any response. Any reply must be received by WD within five business days after the end of the protest period, and shall be served on the same day on each person who filed the protest or response to the AL.⁶

⁶ GO. 96-B, General Rule 7.4.3

West San Martin Water Works

Workpaper 3-16

1005 Highland Ave., San Martin, CA 95046

Telephone: 408-683-2098

ADVICE LETTER #77-W

SERVICE LIST

San Martin County Water District
P.O. Box 120
San Martin, CA 95046

Twin Valley Water Company
P.O. Box 433
Morgan Hill, CA 95038

I hereby certify that the above service list has been served a copy of AL 77-W on August 15, 2022.

Executed in San Martin, California on August 15, 2022.

West San Martin Water Works,
Inc.

By: /s/BRIAN UKESTAD
Brian Ukestad
President

Enclosures

West San Martin Water Works, Inc. REVISED
 (WTD 170)
 Santa Clara

P.U.C. Sheet No. 406-W
 Cancelling 402-W

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service

TERRITORY

The community of San Martin, and vicinity, Santa Clara County

RATES

Quantity Rate:

First 800 cu. ft., per 100 cubic feet	\$ 2.71	(I)
Over 800 cu. ft., per 100 cubic feet	\$ 3.19	(I)

Service Charge:

	<u>Per Meter</u>	
	<u>Per Month</u>	
For 5/8 x 3/4 -inch meter	\$ 26.57	(I)
For 3/4-inch meter	\$ 26.57	(I)
For 1-inch meter	\$ 37.20	(I)
For 1 1/2 -inch meter	\$ 47.85	(I)
For 2-inch meter	\$ 63.78	(I)
For 3-inch meter	\$ 79.74	(I)
For 4-inch meter	\$ 93.03	(I)
For 6-inch meter	\$ 159.45	(I)
For 8-inch meter	\$ 212.62	(I)
For 10-inch meter	\$ 265.77	(I)

The service charge is a readiness-to-serve charge, which is applicable to all metered service, and to which is added the monthly charge for water used computed at the Quantity Rate.

SPECIAL CONDITIONS

- All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(continued)

(To be inserted by utility)

Advice Letter No. 77-W

Decision No. D.92-03-093

Issued By

Brian Ukestad

President

(To be inserted by P.U.C.)

Date Filed _____

Effective _____

Resolution No. _____

West San Martin Water Works, Inc. REVISED
 (WTD 170)
 Santa Clara

P.U.C. Sheet No. 407-W
 Cancelling 403-W

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished to privately owned fire protection systems

TERRITORY

The community of San Martin, and vicinity, Santa Clara County, between city limits of Morgan Hill and Gilroy

RATES

	<u>Per Service Connection</u>	
	<u>Per Month</u>	
For each 2-inch service	\$ 5.87	(I)
For each 3-inch service	\$ 8.39	(I)
For each 4-inch service	\$ 10.95	(I)
For each 6-inch service	\$ 18.53	(I)
For each 8-inch service	\$ 29.31	(I)
For each 10-inch service	\$ 48.81	(I)
For each 12-inch service	\$ 70.29	(I)

SPECIAL CONDITIONS

1. The fire protection service shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund. The facilities paid for by the applicant shall be the sole property of the applicant.
2. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.

(continued)

(To be inserted by utility)

Advice Letter No. 77-W

Decision No. D.92-03-093

Issued By

Brian Ukestad

President

(To be inserted by P.U.C.)

Date Filed _____

Effective _____

Resolution No. _____

West San Martin Water Works, Inc.
 (WTD 170)
 Santa Clara County

P.U.C. Sheet No. 408-W
 Cancelling 405-W

TABLE OF CONTENTS

The following listed tariff sheets contain all effective rates and rules affecting the charges and service of the utility, together with other pertinent information:

<u>Subject Matter of Sheet</u>	<u>Cal. P.U.C. Sheet No.</u>	
Title Page	263-W	
Table of Contents	408-W , 359-W	(T)
Preliminary Statement	151-W, 284-W – 286-W, 327-W – 330-W	
Service Area Map	242-W	
Rate Schedules:		
Schedule No. 1, General Metered Service	406-W , 342-W	(I)
Schedule No. 2TR, Special Temporary Flat Rate Service	227-W	
Schedule No. 4, Private Fire Protection Service	407-W , 301-W	(I)
Schedule No. 5, Public Fire Hydrant Service	70-W	
Schedule No. 6, Facilities Financing Charge	101-W	
Schedule No. 6R, Resale Service	228-W	
Schedule No. F, Facilities Fees	404-W	
Schedule No. UF, Surcharge to Fund PUC Reimbursement Fee	394-W	
Rules:		
No. 1 Definitions	369-W, 370-W	
No. 2 Description of Service	84-W	
No. 3 Application for Service	305-W	
No. 4 Contracts	9-W	
No. 5 Special Information Required on Forms	371-W – 373-W	
No. 6 Establishment and Re-establishment of Credit	12-W	
No. 7 Deposits	267-W, 268-W	
No. 8 Notices	374-W, 376-W	
No. 9 Rendering and Payment of Bills	397-W – 400-W	
No. 10 Disputed Bills	377-W, 378-W	
No. 11 Discontinuance and Restoration of Service	379-W – 388-W	
No. 12 Information Available to Public	23-W, 24-W	
No. 13 Temporary Service	25-W, 26-W	
No. 14 Continuity of Service	27-W	
No. 14.1 Voluntary Water Conservation Plan	318-W – 325-W	
No. 15 Main Extensions	117-W -119-W, 308-W, 121-W, 167-W, 309-W, 168-W, 125-W, 169-W, 170-W, 128-W, 129-W, 171-W, 362-W	
No. 16 Service Connections, Meters, and Customer Facilities	218-W, 310-W – 312-W, 221-W – 224-W	
No. 17 Standards for Measurement of Service	158-W	
No. 18 Meter Tests and Adjustment of Bills for Meter Error	159-W, 42-W, 43-W	
No. 19 Service to Separate Premises and Multiple Units, And Resale of Water	191-W, 192-W	
No. 20 Water Conservation	161-W	
No. 21 Fire Protection	278-W	

(continued)

(To be inserted by utility)

Issued By

(To be inserted by P.U.C.)

Advice Letter No. 77-W

Brian R. Ukestad

Date Filed _____

Decision No. D.92-03-093

President

Effective _____

Resolution No. _____

Earnings Test

West San Martin Water Works, Inc. Summary of Earnings

Category	Most Recent Adopted in Resolution W-4905 Feb. 16, 2012		CPI Increase @7% on Adopted Revenue Only c=a*7%	Revenue After CPI Increase, Actual Expenses, & Actual Rate Base (Revenues) d=b + c
	TY2011 a	Actual 2021 b		
Operative Revenues:				
Flat Rate			-	0
Metered	421,748	575,512	29,522	605,034
Private Fire Protection	4,002		92	92
TOTAL OPERATING REVENUES	425,750	575,512	29,614	605,126
Operative Expenses:				
Purchased Water	-	-		-
Purchased Power	49,296	75,591		75,591
Purchased Chemicals	-			-
Other Volume Related Expenses	88,905	163,468		163,468
Employee Labor	18,085	-		-
Materials	2,653	2,673		2,673
Contract Work	18,093	131,081		131,081
Water Testing		-		-
Transportation Expense	3,058	1,235		1,235
Other Plant Maintenance	6,027	70		70
Office Salaries	18,500	55,000		55,000
Management Salaries	29,500	30,000		30,000
Employee Pension and Benefits	18,176	418		418
Uncollectibles	2,129	-		-
Office Service and Rentals	6,000	11,648		11,648
Office Supplies and Expenses	9,843	1,245		1,245
Professional Services	5,603	15,016		15,016
Insurance	8,303	6,734		6,734
Regulatory Commission Expense	5,598	7,109		7,109
General Expenses	2,595	49,360		49,360
SUBTOTAL	292,364	550,648		550,648
Depreciation	12,399	17,900		17,900
Taxes Other than Income	14,428	61,742		61,742
State and Federal Income Taxes	30,698	800		800
Interest	-	679		679
TOTAL DEDUCTIONS	349,889	631,769		631,769
NET REVENUE	75,861	(56,257)		(26,643)
RATE BASE				
Average Plant	1,877,559	2,284,073		2,284,073
Less: Average Accumulated Depreciation	1,052,207	1,637,384		1,637,384
NET PLANT	825,352	646,689		646,689
Less: Advances	154,223	151,468		151,468
Contributions	660,129	306,049		306,049
Plus: Working Cash	4,000	72,300		72,300
Materials & Supplies	27,200	8,423		8,423
RATE BASE	42,200	269,895		269,895
RATE OF MARGIN	24.89%	-9.52%		-4.16%
Earnings Test:	-4.16%	<	24.89%	

Earnings Test

West San Martin Water Works, Inc. Working Cash

SIMPLIFIED BASIS DETERMINATION OF WORKING CASH ALLOWANCE

(A utility operating as an individual or partnership using monthly billing at meter rates)

1	Operating Expenses, Excluding Taxes and Depreciation	471,006
2	Purchased Power and/or Purchased Commodity for Resale*	75,591
3	Two Months' Average Operating Expenses (1/6 x Line 1)	78,501
4	One Month's Average Purchased Power and/or Purchased Commodity* (1/12 x Line 2)	6,299
5	Average Tax Accruals Available	
6	Working Cash Allowance (Line 3 - Line 4 - Line 5)	72,202
7	Use	72,300

* Electric power, gas or other fuel purchased for pumping and or purchased water or gas or electricity for resale billed after receipt (metered).

Meter Rates

West San Martin Water Works, Inc.

METERED RATES:

CPI RATE 7.00%

Service Charge:	OLD <u>Per Meter</u> <u>Per Month</u>	NEW <u>Per Meter Per</u> <u>Month</u>		
<u>QR</u>				
First 800 cu. ft., per 100 cu. ft.	\$2.53	\$	2.71	(I)
Over 800 cu. ft., per 100 cu. ft.	\$2.98	\$	3.19	(I)
5/8 x 3/4-inch meter	\$24.83	\$	26.57	(I)
3/4-inch meter	\$24.83	\$	26.57	(I)
1-inch meter	\$34.77	\$	37.20	(I)
1-1/2 inch meter	\$44.72	\$	47.85	(I)
2-inch meter	\$59.61	\$	63.78	(I)
3-inch meter	\$74.52	\$	79.74	(I)
4-inch meter	\$86.94	\$	93.03	(I)
6-inch meter	\$149.02	\$	159.45	(I)
8-inch meter	\$198.71	\$	212.62	(I)
10-inch meter	\$248.38	\$	265.77	(I)

PRIVATE FIRE PROTECTION:

2-inch meter	\$5.49	\$	5.87	(I)
3-inch meter	\$7.84	\$	8.39	(I)
4-inch meter	\$10.23	\$	10.95	(I)
6-inch meter	\$17.32	\$	18.53	(I)
8-inch meter	\$27.39	\$	29.31	(I)
10-inch meter	\$45.62	\$	48.81	(I)
10-inch meter	\$65.69	\$	70.29	(I)

MDR Response Attachment 9

INVOICE***Invoice Information***

Firm/Vendor: ZL LLP
 Office: Los Angeles
 Invoice Number: 39353
 Date of Invoice: 05/26/2022
 Billing Period: 04/11/2022 - 04/30/2022
 Date Posted: 05/26/2022
 Invoice Description/Comment:

Amount Approved

Approved Total **\$217.50**
Invoice Currency: **USD**
 Date Approved: 05/26/2022
 Final Approver: Anthony Cerasuolo
 Approved Fees \$217.50
 Approved Expenses \$0.00
 Approved Total (excl. Tax) \$217.50
 Comments to AP:

Accounting Code Allocations

<u>Company Code</u>	<u>Cost Center</u>	<u>General Ledger</u>	<u>WBS</u>	<u>Internal Order</u>	<u>Profit Center</u>	<u>AWE Account String</u>	<u>Amount</u>	<u>Percentage</u>	<u>Comment</u>
1015	53155000	E15-1600-150120					\$217.50	100%	

Vendor Address & Tax Information in Legal Tracker

ZL LLP
 350 S Grand Avenue
 32nd Floor
 Los Angeles, California 90071

Tel: 213-596-5620
 Fax: 213-596-5621

Remittance Address

Same as mail address
 Vendor Tax ID: 200175027
 VAT ID: --
 GST ID: --
 HST ID: --

PST ID: --
 Sales Tax ID: --
 QST ID: --
 Withholding Tax ID: --

Other Invoice and Firm Information

Regulatory Statements: –

Amount Billed

Billed Total **\$217.50**
 Invoice Currency: USD
 Billed Fees \$217.50
 Billed Expenses \$0.00
 Billed Total (excl. Tax) \$217.50

Approval History

<u>User</u>	<u>Action</u>	<u>Date</u>	<u>Amount</u>	<u>Comment</u>
Valerie Silva	Posted	05/26/2022	\$217.50	
Anthony Cerasuolo	Approved	05/26/2022	\$217.50	
Renee Maloney	AP Batch Run	05/31/2022	\$217.50	Batch ID: 009000129 (Sent to AP: 05/31/2022 7:59:21 AM)

Additional Financial Information

SAP Vendor ID: 119858
 Name of Invoice File in .Zip: ZLD LLP - 39353.html
 Comments to Firm:
 AP Route: CA, HI - SAP

Matter Information

Matter Name (Short): T. West San Martin APA
 Matter ID: 202200018
 Lead Company Person: Yamakawa, Aiko
 Organizational unit: California-American Water Company
 Practice group: Business Development

Law Firm Matter No.: 1949-1025
Country (in Matter): United States

Invoice Line Items:

<u>Date</u>	<u>Description Narrative</u>	<u>Timekeeper</u>	<u>Units</u>	<u>Rate</u>	<u>Adjust</u>	<u>Taxes</u>	<u>TaxType%</u>	<u>Amount</u>
04/11/2022 -	REDACTED	Robertson, James	0.3	\$435.00				\$130.50
04/15/2022 -		Robertson, James	0.2	\$435.00				\$87.00

INVOICE***Invoice Information***

Firm/Vendor: ZL LLP
 Office: Los Angeles
 Invoice Number: 39447
 Date of Invoice: 06/06/2022
 Billing Period: 05/18/2022 - 05/31/2022
 Date Posted: 06/06/2022
 Invoice Description/Comment:

Amount Approved

Approved Total \$696.00
Invoice Currency: USD
 Date Approved: 06/07/2022
 Final Approver: Anthony Cerasuolo
 Approved Fees \$696.00
 Approved Expenses \$0.00
 Approved Total (excl. Tax) \$696.00
 Comments to AP:

Accounting Code Allocations

<u>Company Code</u>	<u>Cost Center</u>	<u>General Ledger</u>	<u>WBS</u>	<u>Internal Order</u>	<u>Profit Center</u>	<u>AWE Account String</u>	<u>Amount</u>	<u>Percentage</u>	<u>Comment</u>
1015	53155000		E15-1600-150120				\$696.00	100%	

Vendor Address & Tax Information in Legal Tracker

ZL LLP
 350 S Grand Avenue
 32nd Floor
 Los Angeles, California 90071

Tel: 213-596-5620
 Fax: 213-596-5621

Remittance Address

Same as mail address
 Vendor Tax ID: 200175027
 VAT ID: --
 GST ID: --
 HST ID: --

PST ID: --
 Sales Tax ID: --
 QST ID: --
 Withholding Tax ID: --

Other Invoice and Firm Information

Regulatory Statements: –

Amount Billed

Billed Total **\$696.00**
 Invoice Currency: USD
 Billed Fees \$696.00
 Billed Expenses \$0.00
 Billed Total (excl. Tax) \$696.00

Approval History

<u>User</u>	<u>Action</u>	<u>Date</u>	<u>Amount</u>	<u>Comment</u>
Valerie Silva	Posted	06/06/2022	\$696.00	
Anthony Cerasuolo	Approved	06/07/2022	\$696.00	
Serengeti Administrator	AP Batch Run	06/08/2022	\$696.00	Batch ID: 009000131 (Sent to AP: 06/08/2022 3:03:45 AM)

Additional Financial Information

SAP Vendor ID: 119858
 Name of Invoice File in .Zip: ZLD LLP - 39447.html
 Comments to Firm:
 AP Route: CA, HI - SAP

Matter Information

Matter Name (Short): T. West San Martin APA
 Matter ID: 202200018
 Lead Company Person: Yamakawa, Aiko
 Organizational unit: California-American Water Company
 Practice group: Business Development

Law Firm Matter No.: 1949-1025
Country (in Matter): United States

Invoice Line Items:

<u>Date</u>	<u>Description Narrative</u>	<u>Timekeeper</u>	<u>Units</u>	<u>Rate</u>	<u>Adjust Taxes</u>	<u>TaxType%</u>	<u>Amount</u>
05/18/2022 -	REDACTED	Robertson, James	0.2	\$435.00			\$87.00
05/20/2022 -		Robertson, James	1.4	\$435.00			\$609.00

INVOICE***Invoice Information***

Firm/Vendor: Zuber Lawler LLP
 Office: Los Angeles
 Invoice Number: 39999
 Date of Invoice: 07/19/2022
 Billing Period: 06/13/2022 - 06/30/2022
 Date Posted: 07/19/2022
 Invoice Description/Comment:

Amount Approved

Approved Total **\$4,571.00**
Invoice Currency: **USD**
 Date Approved: 07/19/2022
 Final Approver: Anthony Cerasuolo
 Approved Fees \$4,571.00
 Approved Expenses \$0.00
 Approved Total (excl. Tax) \$4,571.00
 Comments to AP:

Accounting Code Allocations

<u>Company Code</u>	<u>Cost Center</u>	<u>General Ledger</u>	<u>WBS</u>	<u>Internal Order</u>	<u>Profit Center</u>	<u>AWE Account String</u>	<u>Amount</u>	<u>Percentage</u>	<u>Comment</u>
1015	53155000		E15-1600-150120				\$4,571.00	100%	

Vendor Address & Tax Information in Legal Tracker

Zuber Lawler LLP
 350 S Grand Avenue
 32nd Floor
 Los Angeles, California 90071

Tel: 213-596-5620
 Fax: 213-596-5621

Remittance Address

Same as mail address
 Vendor Tax ID: 200175027
 VAT ID: --
 GST ID: --
 HST ID: --

PST ID: --
 Sales Tax ID: --
 QST ID: --
 Withholding Tax ID: --

Other Invoice and Firm Information

Regulatory Statements: –

Amount Billed

Billed Total **\$4,571.00**
 Invoice Currency: USD
 Billed Fees \$4,571.00
 Billed Expenses \$0.00
 Billed Total (excl. Tax) \$4,571.00

Approval History

<u>User</u>	<u>Action</u>	<u>Date</u>	<u>Amount</u>	<u>Comment</u>
Valerie Silva	Posted	07/19/2022	\$4,571.00	
Anthony Cerasuolo	TK Rates Reviewed	07/19/2022		
Anthony Cerasuolo	Approved	07/19/2022	\$4,571.00	
Serengeti Administrator	AP Batch Run	07/20/2022	\$4,571.00	Batch ID: 009000135 (Sent to AP: 07/20/2022 3:03:13 AM)

Additional Financial Information

SAP Vendor ID: 119858
 Name of Invoice File in .Zip: ZLD LLP - 39999.html
 Comments to Firm:
 AP Route: CA, HI - SAP

Matter Information

Matter Name (Short): T. West San Martin APA
 Matter ID: 202200018
 Lead Company Person: Yamakawa, Aiko
 Organizational unit: California-American Water Company

Practice group: Business Development
Law Firm Matter No.: 1949-1025
Country (in Matter): United States

Invoice Line Items:

<u>Date</u>	<u>Description Narrative</u>	<u>Timekeeper</u>	<u>Units</u>	<u>Rate</u>	<u>Adjust</u>	<u>Taxes</u>	<u>TaxType%</u>	<u>Amount</u>
06/13/2022 -	REDACTED	Fanckboner,	0.3	\$340.00				\$102.00
		Lizzie						
06/17/2022 -		Fanckboner,	0.5	\$340.00				\$170.00
		Lizzie						
06/18/2022 -		Fanckboner,	1.1	\$340.00				\$374.00
		Lizzie						
06/21/2022 -		Fanckboner,	3.1	\$340.00				\$1,054.00
		Lizzie						
06/21/2022 -		Robertson,	2.3	\$435.00				\$1,000.50
		James						
06/23/2022 -	Robertson,	2.7	\$435.00				\$1,174.50	
	James							
06/24/2022 -	Robertson,	1.4	\$435.00				\$609.00	
	James							
06/27/2022 -	Robertson,	0.2	\$435.00				\$87.00	
	James							

INVOICE***Invoice Information***

Firm/Vendor: Zuber Lawler LLP
Office: Los Angeles
Invoice Number: 40208
Date of Invoice: 08/09/2022
Billing Period: 07/05/2022 - 07/31/2022
Date Posted: 08/09/2022
Invoice Description/Comment:

Amount Approved

Approved Total **\$261.00**
Invoice Currency: **USD**
Date Approved: 08/09/2022
Final Approver: Anthony Cerasuolo
Approved Fees \$261.00
Approved Expenses \$0.00
Approved Total (excl. Tax) \$261.00
Comments to AP:

Accounting Code Allocations

<u>Company Code</u>	<u>Cost Center</u>	<u>General Ledger</u>	<u>WBS</u>	<u>Internal Order</u>	<u>Profit Center</u>	<u>AWE Account String</u>	<u>Amount</u>	<u>Percentage</u>	<u>Comment</u>
1015		53155000			E15-1600-150120		\$261.00	100%	

Vendor Address & Tax Information in Legal Tracker

Zuber Lawler LLP
350 S Grand Avenue
32nd Floor
Los Angeles, California 90071

Tel: 213-596-5620
Fax: 213-596-5621

Remittance Address

Same as mail address
Vendor Tax ID: 200175027
VAT ID: --
GST ID: --
HST ID: --

PST ID: --
 Sales Tax ID: --
 QST ID: --
 Withholding Tax ID: --

Other Invoice and Firm Information

Regulatory Statements: –

Amount Billed

Billed Total **\$261.00**
 Invoice Currency: USD
 Billed Fees \$261.00
 Billed Expenses \$0.00
 Billed Total (excl. Tax) \$261.00

Approval History

<u>User</u>	<u>Action</u>	<u>Date</u>	<u>Amount</u>	<u>Comment</u>
Valerie Silva	Posted	08/09/2022	\$261.00	
Anthony Cerasuolo	Approved	08/09/2022	\$261.00	
Serengeti Administrator	AP Batch Run	08/10/2022	\$261.00	Batch ID: 009000138 (Sent to AP: 08/10/2022 3:03:33 AM)

Additional Financial Information

SAP Vendor ID: 119858
 Name of Invoice File in .Zip: ZLD LLP - 40208.html
 Comments to Firm:
 AP Route: CA, HI - SAP

Matter Information

Matter Name (Short): T. West San Martin APA
 Matter ID: 202200018
 Lead Company Person: Yamakawa, Aiko
 Organizational unit: California-American Water Company
 Practice group: Business Development

Law Firm Matter No.: 1949-1025
Country (in Matter): United States

Invoice Line Items:

<u>Date</u>	<u>Description Narrative</u>	<u>Timekeeper</u>	<u>Units</u>	<u>Rate</u>	<u>Adjust Taxes</u>	<u>TaxType%</u>	<u>Amount</u>
07/05/2022 -	REDACTED	Robertson, James	0.6	\$435.00			\$261.00

INVOICE***Invoice Information***

Firm/Vendor: Zuber Lawler LLP
 Office: Los Angeles
 Invoice Number: 40557
 Date of Invoice: 09/09/2022
 Billing Period: 08/09/2022 - 08/31/2022
 Date Posted: 09/09/2022
 Invoice Description/Comment:

Amount Approved

Approved Total **\$3,959.50**
Invoice Currency: **USD**
 Date Approved: 09/09/2022
 Final Approver: Anthony Cerasuolo
 Approved Fees \$3,959.50
 Approved Expenses \$0.00
 Approved Total (excl. Tax) \$3,959.50
 Comments to AP:

Accounting Code Allocations

<u>Company Code</u>	<u>Cost Center</u>	<u>General Ledger</u>	<u>WBS</u>	<u>Internal Order</u>	<u>Profit Center</u>	<u>AWE Account String</u>	<u>Amount</u>	<u>Percentage</u>	<u>Comment</u>
1015		53155000			E15-1600-150120		\$3,959.50	100%	

Vendor Address & Tax Information in Legal Tracker

Zuber Lawler LLP
 350 S Grand Avenue
 32nd Floor
 Los Angeles, California 90071

Tel: 213-596-5620
 Fax: 213-596-5621

Remittance Address

Same as mail address
 Vendor Tax ID: 200175027
 VAT ID: --
 GST ID: --
 HST ID: --

PST ID: --
 Sales Tax ID: --
 QST ID: --
 Withholding Tax ID: --

Other Invoice and Firm Information

Regulatory Statements: –

Amount Billed

Billed Total **\$3,959.50**
 Invoice Currency: USD
 Billed Fees \$3,959.50
 Billed Expenses \$0.00
 Billed Total (excl. Tax) \$3,959.50

Approval History

<u>User</u>	<u>Action</u>	<u>Date</u>	<u>Amount</u>	<u>Comment</u>
Brenda Harding	Posted	09/09/2022	\$3,959.50	
Anthony Cerasuolo	Approved	09/09/2022	\$3,959.50	
Serengeti Administrator	AP Batch Run	09/14/2022	\$3,959.50	Batch ID: 009000143 (Sent to AP: 09/14/2022 3:03:23 AM)

Additional Financial Information

SAP Vendor ID: 119858
 Name of Invoice File in .Zip: ZLD LLP - 40557.html
 Comments to Firm:
 AP Route: CA, HI - SAP

Matter Information

Matter Name (Short): T. West San Martin APA
 Matter ID: 202200018
 Lead Company Person: Yamakawa, Aiko
 Organizational unit: California-American Water Company
 Practice group: Business Development

Law Firm Matter No.: 1949-1025
Country (in Matter): United States

Invoice Line Items:

<u>Date</u>	<u>Description Narrative</u>	<u>Timekeeper</u>	<u>Units</u>	<u>Rate</u>	<u>Adjust Taxes</u>	<u>TaxType%</u>	<u>Amount</u>
08/09/2022 -	REDACTED	Fanckboner, Lizzie	1.1	\$340.00			\$374.00
08/11/2022 -		Fanckboner, Lizzie	3.4	\$340.00			\$1,156.00
08/11/2022 -		Robertson, James	1.7	\$435.00			\$739.50
08/12/2022 -		Fanckboner, Lizzie	1	\$340.00			\$340.00
08/18/2022 -		Fanckboner, Lizzie	0.9	\$340.00			\$306.00
08/18/2022 -		Robertson, James	0.9	\$435.00			\$391.50
08/29/2022 -		Robertson, James	1.5	\$435.00			\$652.50

INVOICE***Invoice Information***

Firm/Vendor: Zuber Lawler LLP
 Office: Los Angeles
 Invoice Number: 40886
 Date of Invoice: 10/05/2022
 Billing Period: 09/06/2022 - 09/30/2022
 Date Posted: 10/05/2022
 Invoice Description/Comment:

Amount Approved

Approved Total **\$2,286.50**
Invoice Currency: **USD**
 Date Approved: 10/05/2022
 Final Approver: Anthony Cerasuolo
 Approved Fees \$2,286.50
 Approved Expenses \$0.00
 Approved Total (excl. Tax) \$2,286.50
 Comments to AP:

Accounting Code Allocations

<u>Company Code</u>	<u>Cost Center</u>	<u>General Ledger</u>	<u>WBS</u>	<u>Internal Order</u>	<u>Profit Center</u>	<u>AWE Account String</u>	<u>Amount</u>	<u>Percentage</u>	<u>Comment</u>
1015		53155000			E15-1600-150120		\$2,286.50	100%	

Vendor Address & Tax Information in Legal Tracker

Zuber Lawler LLP
 350 S Grand Avenue
 32nd Floor
 Los Angeles, California 90071

Tel: 213-596-5620
 Fax: 213-596-5621

Remittance Address

Same as mail address
 Vendor Tax ID: 200175027
 VAT ID: --
 GST ID: --
 HST ID: --

PST ID: --
 Sales Tax ID: --
 QST ID: --
 Withholding Tax ID: --

Other Invoice and Firm Information

Regulatory Statements: –

Amount Billed

Billed Total **\$2,286.50**
 Invoice Currency: USD
 Billed Fees \$2,286.50
 Billed Expenses \$0.00
 Billed Total (excl. Tax) \$2,286.50

Approval History

<u>User</u>	<u>Action</u>	<u>Date</u>	<u>Amount</u>	<u>Comment</u>
Brenda Harding	Posted	10/05/2022	\$2,286.50	
Anthony Cerasuolo	Approved	10/05/2022	\$2,286.50	
Serengeti Administrator	AP Batch Run	10/12/2022	\$2,286.50	Batch ID: 009000147 (Sent to AP: 10/12/2022 3:02:57 AM)

Additional Financial Information

SAP Vendor ID: 119858
 Name of Invoice File in .Zip: ZLD LLP - 40886.html
 Comments to Firm:
 AP Route: CA, HI - SAP

Matter Information

Matter Name (Short): T. West San Martin APA
 Matter ID: 202200018
 Lead Company Person: Yamakawa, Aiko
 Organizational unit: California-American Water Company
 Practice group: Business Development

Law Firm Matter No.: 1949-1025
Country (in Matter): United States

Invoice Line Items:

<u>Date</u>	<u>Description Narrative</u>	<u>Timekeeper</u>	<u>Units</u>	<u>Rate</u>	<u>Adjust Taxes</u>	<u>TaxType%</u>	<u>Amount</u>
09/06/2022 -	REDACTED	Fanckboner, Lizzie	0.2	\$340.00			\$68.00
09/07/2022 -		Robertson, James	0.3	\$435.00			\$130.50
09/20/2022 -		Robertson, James	0.9	\$435.00			\$391.50
09/27/2022 -		Robertson, James	2.5	\$435.00			\$1,087.50
09/29/2022 -		Robertson, James	0.7	\$435.00			\$304.50
09/30/2022 -		Robertson, James	0.7	\$435.00			\$304.50

INVOICE***Invoice Information***

Firm/Vendor: Zuber Lawler LLP
 Office: Los Angeles
 Invoice Number: 41342
 Date of Invoice: 11/08/2022
 Billing Period: 10/05/2022 - 10/31/2022
 Date Posted: 11/08/2022
 Invoice Description/Comment:

Amount Approved

Approved Total **\$217.50**
Invoice Currency: **USD**
 Date Approved: 11/09/2022
 Final Approver: Anthony Cerasuolo
 Approved Fees \$217.50
 Approved Expenses \$0.00
 Approved Total (excl. Tax) \$217.50
 Comments to AP:

Accounting Code Allocations

<u>Company Code</u>	<u>Cost Center</u>	<u>General Ledger</u>	<u>WBS</u>	<u>Internal Order</u>	<u>Profit Center</u>	<u>AWE Account String</u>	<u>Amount</u>	<u>Percentage</u>	<u>Comment</u>
1015	53155000		E15-1600-150120				\$217.50	100%	

Vendor Address & Tax Information in Legal Tracker

Zuber Lawler LLP
 350 S Grand Avenue
 32nd Floor
 Los Angeles, California 90071

Tel: 213-596-5620
 Fax: 213-596-5621

Remittance Address

Same as mail address
 Vendor Tax ID: 200175027
 VAT ID: --
 GST ID: --
 HST ID: --

PST ID: --
 Sales Tax ID: --
 QST ID: --
 Withholding Tax ID: --

Other Invoice and Firm Information

Regulatory Statements: –

Amount Billed

Billed Total **\$217.50**
 Invoice Currency: USD
 Billed Fees \$217.50
 Billed Expenses \$0.00
 Billed Total (excl. Tax) \$217.50

Approval History

<u>User</u>	<u>Action</u>	<u>Date</u>	<u>Amount</u>	<u>Comment</u>
Brenda Harding	Posted	11/08/2022	\$217.50	
Anthony Cerasuolo	Approved	11/09/2022	\$217.50	
Serengeti Administrator	AP Batch Run	11/16/2022	\$217.50	Batch ID: 009000152 (Sent to AP: 11/16/2022 3:02:58 AM)

Additional Financial Information

SAP Vendor ID: 119858
 Name of Invoice File in .Zip: ZLD LLP - 41342.html
 Comments to Firm:
 AP Route: CA, HI - SAP

Matter Information

Matter Name (Short): T. West San Martin APA
 Matter ID: 202200018
 Lead Company Person: Yamakawa, Aiko
 Organizational unit: California-American Water Company
 Practice group: Business Development

Law Firm Matter No.: 1949-1025
Country (in Matter): United States

Invoice Line Items:

<u>Date</u>	<u>Description Narrative</u>	<u>Timekeeper</u>	<u>Units</u>	<u>Rate</u>	<u>Adjust</u>	<u>Taxes</u>	<u>TaxType%</u>	<u>Amount</u>
10/05/2022 -	REDACTED	Robertson, James	0.3	\$435.00				\$130.50
10/19/2022 -	REDACTED	Robertson, James	0.2	\$435.00				\$87.00

INVOICE***Invoice Information***

Firm/Vendor: Zuber Lawler LLP
 Office: Los Angeles
 Invoice Number: 41609
 Date of Invoice: 12/05/2022
 Billing Period: 11/07/2022 - 11/30/2022
 Date Posted: 12/05/2022
 Invoice Description/Comment:

Amount Approved

Approved Total **\$693.50**
Invoice Currency: **USD**
 Date Approved: 12/09/2022
 Final Approver: Aiko Yamakawa
 Approved Fees \$693.50
 Approved Expenses \$0.00
 Approved Total (excl. Tax) \$693.50
 Comments to AP:

Accounting Code Allocations

<u>Company Code</u>	<u>Cost Center</u>	<u>General Ledger</u>	<u>WBS</u>	<u>Internal Order</u>	<u>Profit Center</u>	<u>AWE Account String</u>	<u>Amount</u>	<u>Percentage</u>	<u>Comment</u>
1015	53155000		E15-1600-150120				\$693.50	100%	

Vendor Address & Tax Information in Legal Tracker

Zuber Lawler LLP
 350 S Grand Avenue
 32nd Floor
 Los Angeles, California 90071

Tel: 213-596-5620
 Fax: 213-596-5621

Remittance Address

Same as mail address
 Vendor Tax ID: 200175027
 VAT ID: --
 GST ID: --
 HST ID: --

PST ID: --
 Sales Tax ID: --
 QST ID: --
 Withholding Tax ID: --

Other Invoice and Firm Information

Regulatory Statements: –

Amount Billed

Billed Total **\$693.50**
 Invoice Currency: USD
 Billed Fees \$693.50
 Billed Expenses \$0.00
 Billed Total (excl. Tax) \$693.50

Approval History

<u>User</u>	<u>Action</u>	<u>Date</u>	<u>Amount</u>	<u>Comment</u>
Brenda Harding	Posted	12/05/2022	\$693.50	
Aiko Yamakawa	Approved	12/09/2022	\$693.50	
Serengeti Administrator	AP Batch Run	12/14/2022	\$693.50	Batch ID: 009000156 (Sent to AP: 12/14/2022 3:19:51 AM)

Additional Financial Information

SAP Vendor ID: 119858
 Name of Invoice File in .Zip: ZLD LLP - 41609.html
 Comments to Firm:
 AP Route: CA, HI - SAP

Matter Information

Matter Name (Short): T. West San Martin APA
 Matter ID: 202200018
 Lead Company Person: Yamakawa, Aiko
 Organizational unit: California-American Water Company
 Practice group: Business Development

Law Firm Matter No.: 1949-1025
Country (in Matter): United States

Invoice Line Items:

<u>Date</u>	<u>Description Narrative</u>	<u>Timekeeper</u>	<u>Units</u>	<u>Rate</u>	<u>Adjust Taxes</u>	<u>TaxType%</u>	<u>Amount</u>
11/07/2022 -	REDACTED	Robertson, James	0.5	\$435.00			\$217.50
11/10/2022 -		Fanckboner, Lizzie	1.4	\$340.00			\$476.00

INVOICE***Invoice Information***

Firm/Vendor: Zuber Lawler LLP
 Office: Los Angeles
 Invoice Number: 41964
 Date of Invoice: 01/06/2023
 Billing Period: 12/05/2022 - 12/31/2022
 Date Posted: 01/06/2023
 Invoice Description/Comment:

Amount Approved

Approved Total **\$4,965.00**
Invoice Currency: **USD**
 Date Approved: 01/06/2023
 Final Approver: Aiko Yamakawa
 Approved Fees \$4,965.00
 Approved Expenses \$0.00
 Approved Total (excl. Tax) \$4,965.00
 Comments to AP:

Accounting Code Allocations

<u>Company Code</u>	<u>Cost Center</u>	<u>General Ledger</u>	<u>WBS</u>	<u>Internal Order</u>	<u>Profit Center</u>	<u>AWE Account String</u>	<u>Amount</u>	<u>Percentage</u>	<u>Comment</u>
1015	53155000		E15-1600-150120				\$4,965.00	100%	

Vendor Address & Tax Information in Legal Tracker

Zuber Lawler LLP
 350 S Grand Avenue
 32nd Floor
 Los Angeles, California 90071

Tel: 213-596-5620
 Fax: 213-596-5621

Remittance Address

Same as mail address
 Vendor Tax ID: 200175027
 VAT ID: --
 GST ID: --
 HST ID: --

PST ID: --
Sales Tax ID: --
QST ID: --
Withholding Tax ID: --

Other Invoice and Firm Information

Regulatory Statements: –

Amount Billed

Billed Total **\$4,965.00**
Invoice Currency: USD
Billed Fees \$4,965.00
Billed Expenses \$0.00
Billed Total (excl. Tax) \$4,965.00

Approval History

<u>User</u>	<u>Action</u>	<u>Date</u>	<u>Amount</u>	<u>Comment</u>
Brenda Harding	Posted	01/06/2023	\$4,965.00	
Aiko Yamakawa	Approved	01/06/2023	\$4,965.00	
Serengeti Administrator	AP Batch Run	01/11/2023	\$4,965.00	Batch ID: 009000160 (Sent to AP: 01/11/2023 3:20:25 AM)

Additional Financial Information

SAP Vendor ID: 119858
Name of Invoice File in .Zip: ZLD LLP - 41964.html
Comments to Firm:
AP Route: CA, HI - SAP

Matter Information

Matter Name (Short): T. West San Martin APA
Matter ID: 202200018
Lead Company Person: Yamakawa, Aiko
Organizational unit: California-American Water Company
Practice group: Business Development

Invoice Line Items:

<u>Date</u>	<u>Description Narrative</u>	<u>Timekeeper</u>	<u>Units</u>	<u>Rate</u>	<u>Adjust Taxes</u>	<u>TaxType%</u>	<u>Amount</u>
12/05/2022 -	REDACTED	Robertson, James	02	\$435.00			\$87.00
12/07/2022 -		Fanckboner, Lizzie	29	\$340.00			\$986.00
12/08/2022 -		Fanckboner, Lizzie	23	\$340.00			\$782.00
12/08/2022 -		Robertson, James	02	\$435.00			\$87.00
12/09/2022 -		Fanckboner, Lizzie	21	\$340.00			\$714.00
12/09/2022 -		Robertson, James	08	\$435.00			\$348.00
12/12/2022 -		Fanckboner, Lizzie	06	\$340.00			\$204.00
12/13/2022 -		Fanckboner, Lizzie	01	\$340.00			\$34.00
12/13/2022 -		Robertson, James	03	\$435.00			\$130.50
12/15/2022 -		Fanckboner, Lizzie	28	\$340.00			\$952.00
12/15/2022 -		Robertson, James	03	\$435.00			\$130.50
12/19/2022 -		Fanckboner, Lizzie	05	\$340.00			\$170.00
12/20/2022 -		Fanckboner, Lizzie	06	\$340.00			\$204.00
12/22/2022 -		Fanckboner, Lizzie	04	\$340.00			\$136.00

INVOICE***Invoice Information***

Firm/Vendor: ZL LLP
 Office: Los Angeles
 Invoice Number: 37930
 Date of Invoice: 02/14/2022
 Billing Period: 01/20/2022 - 01/31/2022
 Date Posted: 02/14/2022
 Invoice Description/Comment:

Amount Approved

Approved Total **\$1,522.50**
Invoice Currency: **USD**
 Date Approved: 02/14/2022
 Final Approver: Anthony Cerasuolo
 Approved Fees \$1,522.50
 Approved Expenses \$0.00
 Approved Total (excl. Tax) \$1,522.50
 Comments to AP:

Accounting Code Allocations

<u>Company Code</u>	<u>Cost Center</u>	<u>General Ledger</u>	<u>WBS</u>	<u>Internal Order</u>	<u>Profit Center</u>	<u>AWE Account String</u>	<u>Amount</u>	<u>Percentage</u>	<u>Comment</u>
1015		53155000			E15-1600-150120		\$1,522.50	100%	

Vendor Address & Tax Information in Legal Tracker

ZL LLP
 350 S Grand Avenue
 32nd Floor
 Los Angeles, California 90071

Tel: 213-596-5620
 Fax: 213-596-5621

Remittance Address

Same as mail address
 Vendor Tax ID: 200175027
 VAT ID: --
 GST ID: --
 HST ID: --

PST ID: --
 Sales Tax ID: --
 QST ID: --
 Withholding Tax ID: --

Other Invoice and Firm Information

Regulatory Statements: –

Amount Billed

Billed Total **\$1,522.50**
 Invoice Currency: USD
 Billed Fees \$1,522.50
 Billed Expenses \$0.00
 Billed Total (excl. Tax) \$1,522.50

Approval History

<u>User</u>	<u>Action</u>	<u>Date</u>	<u>Amount</u>	<u>Comment</u>
Valerie Silva	Posted	02/14/2022	\$1,522.50	
Anthony Cerasuolo	Approved	02/14/2022	\$1,522.50	
Serengeti Administrator	AP Batch Run	02/16/2022	\$1,522.50	Batch ID: 009000116 (Sent to AP: 02/16/2022 3:02:27 AM)

Additional Financial Information

SAP Vendor ID: 119858
 Name of Invoice File in .Zip: ZLD LLP - 37930.html
 Comments to Firm:
 AP Route: CA, HI - SAP

Matter Information

Matter Name (Short): T. West San Martin APA
 Matter ID: 202200018
 Lead Company Person: Yamakawa, Aiko
 Organizational unit: California-American Water Company
 Practice group: Business Development

Law Firm Matter No.: 1949-1025
Country (in Matter): United States

Invoice Line Items:

<u>Date</u>	<u>Description Narrative</u>	<u>Timekeeper</u>	<u>Units</u>	<u>Rate</u>	<u>Adjust Taxes</u>	<u>TaxType%</u>	<u>Amount</u>
01/20/2022 -	REDACTED	Robertson, James	15	\$435.00			\$652.50
01/27/2022 -		Robertson, James	2	\$435.00			\$870.00

Valentine Environmental Engineers**Invoice**

15845 South 46th Street, Suite 144
Phoenix, AZ 85048

Date	Invoice #
6/3/2023	2562

Bill To
California American Water PO#3000625817 AP Dept 1015 1 Water Street Camden, NJ 08102-1658

Ship To

Project #	Project Name	Contract Amount
PO3000625817	West San Martin Assessment	\$17,650

Task/Allowance	Task Amount	Prior Amt	Prior %	Curr %	Total %	Amount
West San Martin Water System Condition Assessment	17,650.00			90.00%	90.00%	15,885.00

For services through May 2023

Total \$15,885.00

Payments/Credits \$0.00

Balance Due \$15,885.00

Phone #
(480) 283-8991

MDR Response Attachment 13

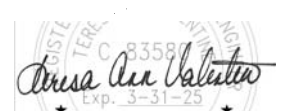
+

West San Martin Water Works, Inc. Water System Condition Assessment, Valuation and Capital Improvements Plan

June 2023



Prepared for:
California American Water



West San Martin Water Works, Inc.
CONDITION ASSESSMENT, VALUATION AND CAPITAL
IMPROVEMENTS PLANT

Table of Contents

1.0	INTRODUCTION	1
1.1	WSMWW Information Sources	2
2.0	WSMWW DEMAND	4
3.0	SYSTEM DESCRIPTION	4
3.1	Wells.....	5
3.1.1	Well Capacity Evaluation.....	6
3.1.2	Well Condition Assessment.....	7
3.2	Storage and Booster Pump Station.....	7
3.2.1	Storage Tank and Booster Pump Station Capacity Evaluation	8
3.2.2	Storage Tank and Booster Pump Station Condition Assessment	8
3.3	Distribution System	9
4.0	SYSTEM VALUATION, CAPITAL IMPROVEMENT PLAN AND ESTIMATION OF COSTS	10
4.1	Estimate of Replacement Cost and Replacement Cost New Less Depreciation 10	
4.2	Capital Improvements Plan	15

LIST OF TABLES

Table 1.	West San Martin Water Works, Inc. System Well Summary	5
Table 2.	West San Martin Water Works, Inc. System Storage Tank Summary...8	
Table 3.	Replacement Cost and Replacement Cost New Less Depreciation....13	
Table 4.	West San Martin Water Works, Inc. 5 Year Capital Improvements and Cost.....	15

LIST OF FIGURES

Figure 1.	West San Martin Water Works Water System Site Plan.....	3
-----------	---	---

LIST OF ATTACHMENTS

Attachment 1 – Unit Cost Backup
 Attachment 2 – Site Visit Pictures

1.0 INTRODUCTION

California-American Water Company (CAW) intends to purchase the water system owned and operated by the West San Martin Water Works, Inc. (WSMWW), Water System No. 4300543.

The WSMWW water system serves San Martin, an unincorporated area in Santa Clara County. The WSMWW currently serves approximately 309 connections and consists of groundwater supply sources, water storage, booster pump stations, fire hydrants and water distribution pipe systems. The system has three pressure zones and includes three active groundwater wells and one inactive groundwater well, approximately 550,000 gallons of storage capacity (provided by four tanks), distribution pipelines, fire hydrants, service laterals and water meters. There is approximately 73,238 lineal feet of 2-inch through 8-inch waterlines (excluding service lines) of cast iron, asbestos cement pipe (ACP) and plastic materials of construction.

There are three active groundwater wells and one well that has been out of service for an extended period. The three active wells are Well 1 (Chester/Sewell Well), the Colony Well, and the County Building Well. The Colony Well site also includes the inactive well, Well 2. The wells are in the lowest pressure zone or zone 1. The active and inactive wells do not have chlorination facilities. Water produced by the wells is pumped into distribution and also to fill two tanks - a 400,000-gallon tank (Big Tank) and a 50,000 gallon tank (Tank 1) at the top of the first pressure zone. The wells start and stop based upon levels in the tanks.

There are two booster pump stations. Booster Station 1 draws water from Tank 1 and pumps up to Tank 2 and the pumps start and stop based on level setpoints in Tank 2. Chlorination occurs at Booster Station 1, where it is dosed into the pump station discharge line. Tank 2 is also a 50,000-gallon buried tank. The Tank 2 site includes Booster Pump Station 2 that pumps to Tank 3, also a 50,000-gallon buried tank. Tank 3 serves the system to the north and services between Tank 2 and Tank 3.

The locations of the key system features are shown on Figure 1, West San Martin Water Works, Inc. System Site Plan.

In August 2022, the State Water Resources Control Board (SWRCB) Division of Drinking Water (DDW) issued a letter detailing the 2022 Sanitary Survey Findings. The letter included a corrective action plan to address deficiencies in the system. A summary of the corrective action plan requested by the SWRCB is as follows:

- Well 1 (Chester/Sewell) has had several events of positive total coliform detentions. Despite disinfecting the well several times, total coliform was still detected. There is no information on the depth and thickness of the sanitary seal.

- The well has been offline since the detection of total coliform. The Division recommended the following items be performed:
 - Investigate the issue and perform improvements to resolve the issue.
 - Install a chlorination system and submit application for approval, if the issue persists and the WSMWW desires to resume use of the well.
 - Install a source sampling tap between the wellhead and the check valve.
- County Building Well:
 - Disconnect hose and cap outlet of pump to waste tank or remove pump to waste tank.
- Colony well:
 - Install a source sampling tap between the wellhead and the check valve.
- Seal and fix holes and gaps at the storage tanks.
- Address the inadequacy of meeting Maximum Day Demand (MDD). After review of 10-years' worth of production data, the Division estimated that the MDD for the system is 700 gpm. The County Building Well and Colony Wells have a total capacity of 666 gpm. The Division recommended that Well 1 should be returned into service as soon as possible.
- Implement all recommendations from the cross-connection survey and make sure that all backflow devices are certifier tested annually.
- Address corrosion on piping at pump stations, remove and paint.
- Update the source water quality monitoring schedule for perchlorate.
- Provide system chlorination operational records.
- Update the bacterial sample siting plan.
- Address the abandonment or restoration of use of Colony Well 2.
- Repair the existing emergency generator or obtain a new emergency generator.

CAW requested Valentine Engineers (Valentine) prepare an assessment of existing conditions, a system valuation, a capital improvements plan, and independent opinion of costs associated with the capital improvements plan. The condition assessment, system valuation, capital improvements plan with costs, and supporting information is provided in this report.

1.1 WSMWW Information Sources

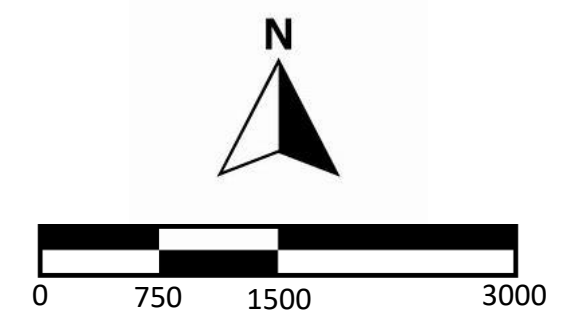
The findings presented in this report relied upon the following information:

- 2017, 2018, 2019 and 2020 Annual Reports for the West San Martin Water Works, Inc. Water System.
- 2022 Sanitary Survey Findings for the West San Martin Water Works, Inc. Water System No. 4300543.
- WSMWW List of Fixed Assets, date unknown.
- February 3, 2023, site visit with water system owner and operator.



- Tank
- Well
- BPS

- 2-inch piping
- 6-inch piping
- 8-inch piping
- 10-inch piping
- 12-inch piping



2.0 WSMWW DEMAND

WSMWW current demand data was requested but has not yet been received. However, after review of the information provided by the WSMWW the following information regarding the sources that previously estimated maximum day demand (MDD) were found:

- 700 gallons per minute (gpm), Source: 2022 Sanitary Survey.
- Analyzing the 2017, 2018, 2019 and 2020 Annual Reports:
 - 2017: Average: 189 gpm Max (Assuming peaking factor of 3): 567 gpm
 - 2018: Average: 194 gpm Max (Assuming peaking factor of 3): 584 gpm
 - 2019: Average: 200 gpm Max (Assuming peaking factor of 3): 600 gpm
 - 2020: Average: 203 gpm Max (Assuming peaking factor of 3): 609 gpm

In September 2022, WSMWW response to the 2022 Sanitary Survey comments indicated that based on data for July of 2020, WSMWW believes the maximum day demand to be 0.94 million gallons per day (mgd) or 652 gpm.

The MDD selected for this evaluation is based on 652 gpm.

3.0 SYSTEM DESCRIPTION

The WSMWW service area is primarily residential (approximately 80% of the customer base) but also serves approximately 40 commercial customers and a golf course resort. The system is comprised of three pressure zones equipped with the following infrastructure:

- Four ground water wells in the lower or first zone with three wells that are active.
- A 400,000-gallon tank and 50,000-gallon tank at the top of the first zone, a 50,000-gallon tank at the top of the second zone, a 50,000-gallon tank at the top of the third pressure zone. A total of 550,000-gallons of storage is available in this system.
- Two booster pump stations to transfer water from the first zone to the second zone and from the second zone to the third zone.
- 73,238 lineal feet of 2-inch through 8-inch waterlines (excluding service lines) of cast iron, asbestos cement pipe (ACP) and plastic materials of construction.
- Approximately 309 connections with meters ranging in size from 5/8-inch by 3/4-inch to 4-inch. Approximately 72 meters have been converted to automatic read radio style meters.
- Approximately 124 fire hydrants.
- Approximately 70 backflow devices.

Pictures of the existing facility are included in Attachment 2.

The following sections provide detailed descriptions of the wells, storage, and distributions systems. In addition, these sections summarize the most recent sanitary survey findings and the results of a simplistic condition-based assessment.

A simplistic condition-based assessment was performed and is based upon a site visit on February 3, 2023 and information provided by the WSMWW operator (see Section 1.1). The condition assessment relies on site observations and information obtained from operations staff during the site visit. The condition assessment analyzed the criticality of each system component as well as the physical parameters, condition, and performance.

3.1 Wells

There are four groundwater wells in the lower zone and all four wells are equipped with submersible well pumps. There are three active wells designated as Well 1 (Chester/Sewell), Colony Well, and County Building Well. Well 2 is currently not in use.

The reported well capacities are summarized in Table 1 below. Well 2 is reported as a good producing well but has nitrate contamination and when it was in operation, it was blended with the Colony Well. The Colony Well and the County Building Well have perchlorate contamination and were previously equipped with perchlorate treatment systems. The systems were removed when the perchlorate concentrations came into compliance with the maximum contaminant level.

Table 1 summarizes the approximate pump capacity, nitrate contamination, well status and well condition for each well. The information presented in Table 1 was taken from the 2022 Sanitary Survey and the 2020 Annual Report to the California Public Utilities Commission.

Table 1. West San Martin Water Works, Inc. System Well Summary					
West San Martin Water Works, Inc. – Condition Assessment, Valuation and Capital Improvements Plan					
Well	Well Pump Capacity (gpm)	Water Quality Considerations	Well Status	Well and Pump Condition	Other Information
1	340	Total coliform detections	Active, but not in use due to total coliform issue	Well & Pump – Unknown	50 ft depth to water 12-inch diameter Installed in 1950, rehabilitated in the last 20 years (approximately 2003)

Table 1. West San Martin Water Works, Inc. System Well Summary
West San Martin Water Works, Inc. – Condition Assessment, Valuation and Capital Improvements Plan

Well	Well Pump Capacity (gpm)	Water Quality Considerations	Well Status	Well and Pump Condition	Other Information
2	unknown	Nitrate	OUS	Well & Pump – Unknown Pump - Unknown	
Colony Well	300	Perchlorate, but under the MCL	Active	Well & Pump – Unknown	50 ft depth to water 10-inch diameter Installed in 2014
County Building Well	400	Perchlorate, but under the MCL	Active	Well & Pump – Unknown	50 ft depth to water 10-inch diameter Installed in 1995
Notes: OUS – Out of Service.					

The Colony Well site and Well 1 are located on properties owned by WSMWW. Well 2 is also located on the Colony Well site. The County Building Well site is located within an easement.

3.1.1 Well Capacity Evaluation

A community water system using only groundwater must have a minimum of two approved water sources and capable of meeting the MDD with the highest capacity source off-line. The WSMWW MDD has been established at 652 GPM for this evaluation.

Currently, the Colony Well and the County Building Well are in service and have a total capacity of 700 GPM. With the largest of these two wells out of service, the WSMWW MDD cannot be met. The re-instatement of Well 1, after addressing compliance issues, can allow the system to very closely meet the MDD with the largest well out of service.

At some point in the future, the WSMWW could also serve the Twin Valley Water, Inc. system. The Twin Valley Water, Inc. MDD is estimated to be 125,000 GPD or 87 GPM. The total WSMWW and Twin Valley Water, Inc. MDD is 696 GPM. With the largest WSMWW well out of service (the County Building Well), the combined demand of the two water systems cannot be met (even with assuming Well 1 is returned to service).

3.1.2 Well Condition Assessment

The criticality of the wells is high because currently the water system demand cannot be met with the largest well out of service. The 2022 Sanitary Survey recommended that Well 1 be returned to operation, after resolving the total coliform contamination, in order to meet the MDD for the WSMWW.

The condition of the wells (casing, screening) is unknown. The well pump systems (well pump, motor, column piping and ancillary components) is unknown. The water system operator has indicated that the Colony Well was rehabilitated in approximately 2003.

The well sites are secured with chainlink fencing and gates. Well 1 is enclosed inside a building while the Colony Well and the County Building Well are located outside.

The wellhead piping is in fair condition but there are mixed materials of construction, and some fittings are severely corroded.

Well 1 and the Colony Well power meters, motor control panels, and radio controls are in a wooden enclosure. These systems (power meters, motor control panels and radio controls) are located on stanchions, within panels, open to the elements for the County Building Well. The existing control system is an unlicensed radio telemetry system.

Overall, considering the high criticality and production issues of the wells, the condition assessment of the wells is poor in terms of performance and fair in terms of condition, until more data is available to determine otherwise.

The following are recommended for immediate improvements to the wells:

- Treatment for Well 1 so that it can be returned to service.
- Investigations into the conditions of all wells to determine useful life.
- Return of Well 2 into service, if feasible, and blending with the Colony Well, if feasible, to meet the nitrate maximum contaminant limit.

3.2 Storage and Booster Pump Station

The following storage facilities exist in the WSMWW:

- One 400,000-gallon circular partially buried concrete tank and one 50,000-gallon concrete tank (Tank 1) in the lower zone. These two tanks receive water from the wells in the lower zone.
- One 50,000-gallon buried concrete tank in zone 2 (Tank 2) and one 50,000-gallon buried concrete tank in zone 3 (Tank 3).

**Table 2. West San Martin Water Works, Inc. System Storage Tank Summary
 West San Martin Water Works, Inc. – Condition Assessment, Valuation and Capital Improvements Plan**

Tank	Volume (gallons)	Year Built	Materials of Construction	Date of Last Inspection
Big	400,000	2000	Concrete with Aluminum Geodesic Type Cover	Approximately 2 years ago, dive
1	50,000	Early 1980s	Concrete	Approximately 2 years ago
2	50,000	Early 1980s	Concrete	Approximately 2 years ago
3	50,000	Early 1980s	Concrete	Approximately 2 years ago

3.2.1 Storage Tank and Booster Pump Station Capacity Evaluation

For systems serving less than 1,000 customers, the system must have storage capacity equal or greater than the MDD, unless the system can demonstrate that it has an additional source of supply or an emergency source connection that can meet the MDD requirement.

The current storage, in combination with an additional source of supply (the wells) meets the MDD requirement for the WSMWW.

There are two booster pumps. Booster Station 1 is located a short distance away and from Tank 1 and higher in elevation than Tank 1. Two 20 hp are located at this station. Only one pump is allowed to run at a time because with two pumps operating, the level in Tank 1 is drawn down rapidly. This pump station starts and stops based on desired level setpoints that are monitored in Tank 2.

Booster Station 2 is located on the same site as Tank 2. This station has two 15 hp pumps. This pump station starts and stops based on desired level setpoints that are monitored in Tank 3.

3.2.2 Storage Tank and Booster Pump Station Condition Assessment

The performance of the storage tanks and booster pump stations appears adequate to satisfy current WSMWW demands. The condition of the tanks and booster pump stations appears to be fair, however, some of the tank repairs recommended in the 2022 Sanitary Survey should be performed, if not already addressed. The location of Booster Station 1 relative to Tank 1 does not appear to be hydraulically optimal as the booster station is above the tank and may be limiting the operating level in the tank.

If the interconnection to the Twin Valley, Inc. water system is provided in the future, it is likely that all the booster pump capacities will need to be increased in capacity to be able to supply the MDD. Each pump station will need to be increased in capacity by at least 86 GPM. In addition, the impact of increasing the Booster Station 1 on Tank 1 operating levels should be investigated further. Relocating the booster pumps to Tank 1 might be required.

3.3 Distribution System

The existing distribution system has approximately 73,238 lineal feet of 2-inch through 8-inch waterlines (excluding service lines) of cast iron, asbestos cement pipe (ACP) and plastic materials of construction (Source: 2020 CPUC Annual Report). It is believed that most of the distribution system was installed in the early 1980s. A breakdown of the distribution system pipe materials and sizes is as follows:

- Cast Iron: 6-inch at 1,230 feet, 8-inch at 2,590 feet.
- Asbestos Cement (ACP): 6-inch at 9,900 feet, 8-inch at 24,214 feet.
- Plastic: 4-inch at 540 feet, 6-inch at 8,693 feet, 8-inch at 23,621 feet.
- Other: 4-inch at 100 feet.

There appear to be 309 connections according to review of the 2020 Annual CPUC Report (272 residential and 37 industrial/commercial). The breakdown of connections by meter size, according to the 2020 Annual CPUC Report, is:

- 5/8 x 3/4 inch – 117 meters
- 1-inch – 78 meters
- 1-1/2 – 44 meters
- 2-inch – 65 meters
- 3-inch – 3 meters
- 4-inch – 2 meters

The system has 124 fire hydrants of unknown make and model (Source: WSMWW List of Fixed Assets, date unknown).

The condition of the existing piping and meters is unknown. To better define the useful life of the existing distribution system piping, a pipeline condition assessment is recommended and could be a combination of potholing and camera investigations.

4.0 SYSTEM VALUATION, CAPITAL IMPROVEMENT PLAN AND ESTIMATION OF COSTS

Two types of cost estimates were developed. The first cost estimate provides an estimate of the current costs to replace the existing system (replacement cost).

The second cost estimate is for five-year capital improvements cost. Five-year capital improvements costs address useful life, condition and upgrading certain components of the system to California American Water standards.

4.1 Estimate of Replacement Cost and Replacement Cost New Less Depreciation

Replacement costs to replace the existing WSMWW facilities were prepared and are presented in this report. The replacement cost is the cost to replace the existing assets with modern materials. For example, existing ACP pipelines are assumed to be replaced with PVC pipelines. The replacement cost does not include costs to improve facilities to meet current codes or design standards.

These estimated costs are consistent with an Association for the Advancement of Cost Engineering International (AACE) Class 4 estimate, which is defined as a Planning Level estimate.

Table 3 presents the opinion of replacement costs, the estimated remaining useful life, and the replacement cost less depreciation.

The quantities of components, materials of construction and their size (horsepower, volume, diameter, etc.) were gathered from WSMWW during the site visit or obtained from information provided by WSMWW. This information is also summarized in the previous sections of this report.

The approximate installation date for each key water system component was gathered from WSMWW. The service life of each of the key water system components was either based upon experience and judgement or the California Public Utilities Commission (CPUC) Standard Practice for Determination Of Straight-Line Remaining Life Depreciation Accruals dated January 3, 1961.

An age-based and condition-based remaining useful life was calculated. The methods to develop age-based and condition-based remaining useful life is based upon a previous valuation performed by Brown and Caldwell (Warring Water Service System Value Assessment, dated August 27, 2019). The methods are summarized as follows:

- Age-based remaining useful life is calculated by **Equation 1** below:

advanced innovation. pure water.

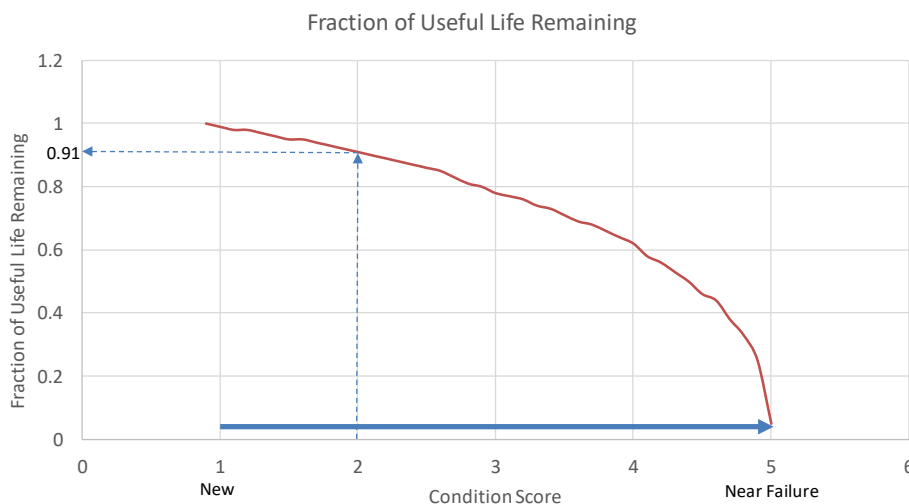
Equation 1: Aged-based remaining useful life = expected service life - age of the component

- If the age of the component is greater than the expected service life, this calculation results in a negative age-based remaining useful life. In those circumstances the remaining life of the asset is assumed to be the condition-based useful life.
- Condition-based remaining useful life is calculated based on the following methodology:
 - A condition score was assigned to each component based on observations made during the site visit and information provided by WSMWW.
 - The condition score ranged from one to five, with one indicating a new component and five indicating a component near failure.
 - The condition score for components that could not be visually observed (i.e., pipelines, distribution system valves, etc.) was assigned based on the age of the component.
 - The following table provides a guide for the condition score:

Condition Rank Description

- 1 Asset as new
- 2 Asset showing initial signs of deterioration (light housekeeping issues)
- 3 Asset condition generally satisfactory (moderate housekeeping issues)
- 4 Asset in poor condition; action required soon (disrepair)
- 5 Asset in need of urgent action (exposed, burned)

- Next, a decay curve developed by the Water Environment & Reuse Foundation (WERF) was used to determine the fraction of life remaining from the condition score. The decay curve is shown below. For example, for a condition score of two, the fraction of remaining life would be 0.91.



- The condition-based remaining useful life was calculated by **Equation 2**:

Equation 2: Condition-based remaining useful life = Fraction of life remaining x Expected service life.

For the example above, if the expected service life of the component is 15 years, then the condition-based remaining useful life = 0.91 x 15 year = 13.65 years.

- This method will always result in a positive condition-based remaining useful life.

The remaining useful life of each component is the lower value of age-based remaining useful life and condition-based remaining useful life calculated for the component, unless the age-based remaining useful life is negative, in which case the remaining useful life is the condition-based remaining useful life.

Straight-line depreciation was used to determine the replacement cost new less depreciation. Straight-line depreciation assumes a linear depreciation of value with age. For example, if the component is new, then it is worth 100 percent of its value. If the component is at 100 percent of its useful life, it has no value. This calculation did not consider obsolescence.



advanced innovation. pure water.

Table 3. Replacement Cost and Replacement Cost New Less Depreciation																
West San Martin Water Works, Inc. – Condition Assessment, Valuation and Capital Improvements Plan																
Description	Replacement Costs				Note (1)	Soft Costs			Installed Date	Remaining Useful Life						
	Quantity	Unit	Unit Cost	Cost		Soft Costs (2)	Total	Service Life (3)		Age	Age-Based Remaining Service Life	Condition Rank	RUL Factor	Condition-Based Remaining Useful Life	Remaining Useful Life	RCNLD
Well 1 (Chester/Sewell Well)																
Well (12-inch diameter, 100 ft depth)	1	LS	\$170,000	\$170,000	1a	\$117,300	\$287,300	2003	75	17	58	2.0	0.91	68	58	\$222,179
40-hp Submersible Pump	1	LS	\$26,370	\$26,370	1b	\$18,195	\$44,565	2003	10	17	-7	4.0	0.62	6	6	\$27,630
6" Check Valve	1	EA	\$3,627	\$3,627	1c	\$6,129	\$9,756	2003	30	17	13	3.5	0.71	21	13	\$2,656
6" Flow Meter	1	EA	\$4,397	\$4,397	1d	\$3,034	\$7,432	2003	30	17	13	3.5	0.71	21	13	\$3,220
6" Gate Valves	2	EA	\$2,966	\$5,931	1e	\$4,093	\$10,024	2003	30	17	13	3.5	0.71	21	13	\$4,344
6" Ductile Iron Above Grade Piping	50	LF	\$261	\$13,044	1f	\$9,001	\$22,045	2003	30	17	13	3.5	0.71	21	13	\$9,553
6' x 8' Building	1	LS	\$11,679	\$11,679	1g	\$1,159	\$12,838	2003	25	17	8	4.0	0.62	16	8	\$908
Electrical and Instrumentation	1	LS	\$11,790	\$11,790	1h	\$8,135	\$19,925	2003	25	17	8	4.0	0.62	16	8	\$6,376
Colony Well																
Well (10-inch diameter, 100 ft depth)	1	LS	\$143,400	\$143,400	1a	\$98,946	\$242,346	2014	75	6	69	2.0	0.91	68	68	\$220,535
30-hp Submersible Pump	1	EA	\$19,936	\$19,936	1b	\$13,756	\$33,692	2014	10	6	4	2.0	0.91	9	4	\$13,477
4" Check Valve	1	EA	\$2,831	\$2,831	1c	\$1,953	\$4,785	2014	30	6	24	2.0	0.91	27	24	\$3,828
4" Ductile Iron Piping (Flanged, above grade)	40	LF	\$218	\$8,705	1f	\$6,006	\$14,712	2014	30	6	24	2.0	0.91	27	24	\$11,769
6" Flow Meter	1	EA	\$4,397	\$4,397	1d	\$3,034	\$7,432	2014	30	6	24	2.0	0.91	27	24	\$5,945
4" Gate Valve	1	EA	\$2,042	\$2,042	1e	\$1,409	\$3,451	2014	30	6	24	2.0	0.91	27	24	\$2,781
6" Gate Valve	1	EA	\$2,966	\$2,966	1e	\$2,046	\$5,012	2014	30	6	24	2.0	0.91	27	24	\$4,009
6" Ductile Iron Piping (Flanged, above grade)	50	LF	\$261	\$13,044	1f	\$9,001	\$22,045	2014	30	6	24	2.0	0.91	27	24	\$17,636
Electrical Building	1	LS	\$12,800	\$12,800	1g	\$8,832	\$21,632	2014	30	6	24	5.0	0.05	2	2	\$1,082
Electrical and Instrumentation	1	LS	\$13,635	\$13,635	1h	\$9,408	\$23,043	2014	25	6	19	3.5	0.71	18	18	\$16,361
County Building Well																
Well (10-inch diameter, 100 ft depth)	1	LS	\$143,400	\$143,400	1a	\$98,946	\$242,346	1995	75	25	50	3.5	0.71	53	50	\$161,564
60-hp Submersible Pump	1	LS	\$15,750	\$15,750	1b	\$10,606	\$26,616	1995	10	25	-15	5.0	0.05	1	1	\$1,331
6" Check Valve	1	EA	\$3,627	\$3,627	1c	\$2,529	\$6,156	1995	30	25	5	4.0	0.62	19	5	\$1,022
6" Flow Meter	1	EA	\$4,397	\$4,397	1d	\$3,034	\$7,432	1995	30	25	5	4.0	0.62	19	5	\$1,239
6" Gate Valves	3	EA	\$2,966	\$8,897	1e	\$6,139	\$15,036	1995	30	25	5	4.0	0.62	19	5	\$2,506
6" Ductile Iron Above Grade Piping	50	EA	\$261	\$13,044	1f	\$9,001	\$22,045	1995	30	25	5	4.0	0.62	19	5	\$3,674
Electrical and Instrumentation	1	EA	\$13,500	\$13,500	1h	\$9,315	\$22,815	1995	25	25	0	5.0	0.05	1	0	\$0
Big Tank																
400,000-gallon Buried Concrete Tank with Aluminum Cover	1	LS	\$486,371	\$486,371	1i	\$335,596	\$821,967	2000	75	23	52	2.0	0.91	68	52	\$569,897
Overflow and Drain Piping, 6"	40	LF	\$230	\$9,203	1f	\$6,350	\$15,552	2000	30	23	7	3.5	0.71	21	7	\$3,629
6" Gate Valve (Buried)	3	EA	\$2,375	\$7,126	1d	\$4,917	\$12,044	2000	30	23	7	3.5	0.71	21	7	\$2,810
Tank 1																
50,000-gallon Buried Concrete Tank with Aluminum Cover	1	LS	\$104,424	\$104,424	1i	\$72,053	\$176,477	1980	75	40	35	2.0	0.91	68	35	\$82,356
Overflow and Drain Piping, 6"	40	LF	\$230	\$9,203	1f	\$6,350	\$15,552	1980	30	40	-10	3.5	0.71	21	21	\$11,042
6" Gate Valve (Buried)	3	EA	\$2,375	\$7,126	1d	\$4,917	\$12,044	1980	30	40	-10	3.5	0.71	21	21	\$8,551
Booster Pump Station 1																
20-hp Submersible Booster Pumps	2	EA	\$18,000	\$36,000	1j	\$24,840	\$60,840	1980	15	40	-25	4.5	0.46	7	7	\$27,986
12-inch Pump Can	2	EA	\$5,430	\$10,860	1k	\$7,493	\$18,353	1980	30	40	-10	4.5	0.46	14	14	\$9,443
4" Swing Check Valve	2	EA	\$2,831	\$5,662	1c	\$3,907	\$9,569	1980	30	40	-10	4.5	0.46	14	14	\$4,402
4" Gate Valve (Flanged)	2	EA	\$2,042	\$4,084	1e	\$2,818	\$6,901	1980	30	40	-10	4.5	0.46	14	14	\$3,175
6" Gate Valves (Buried, MJ)	3	EA	\$2,375	\$7,126	1e	\$4,917	\$12,044	1980	30	40	-10	4.5	0.46	14	14	\$5,540
Sodium Hypochlorite Storage and Chemical Feed Pump	1	EA	\$650	\$650	1l	\$449	\$1,099	1980	30	40	-10	4.5	0.46	14	14	\$505
Injection Quill	2	EA	\$563	\$1,125	1m	\$776	\$1,901	1980	30	40	-10	4.5	0.46	14	14	\$675
Electrical and Chemical Shade Structure	1	LS	\$2,785	\$2,785	1n	\$1,922	\$4,707	1980	10	40	-30	4.5	0.46	5	5	\$2,165
Electrical and Instrumentation	1	LS	\$10,403	\$10,403	1h	\$7,178	\$17,581	1980	25	40	-15	4.5	0.46	12	12	\$8,087
Tank 2 and Booster Pump Station 2																
50,000-gallon Buried Concrete Tank with Aluminum Cover	1	LS	\$104,424	\$104,424	1i	\$72,053	\$176,477	1980	75	40	35	2.0	0.91	68	35	\$82,356
Overflow and Drain Piping, 6"	50	LF	\$198	\$9,900	1f	\$6,831	\$16,731	1980	30	40	-10	4.5	0.46	14	14	\$7,696
1" Air Vac Relief Valve	4	EA	\$929	\$3,715	1o	\$2,563	\$6,278	1980	30	40	-10	4.5	0.46	14	14	\$2,888
15-hp Submersible Booster Pumps	2	LS	\$13,500	\$27,000	1j	\$18,630	\$45,630	1980	15	40	-25	4.5	0.46	7	7	\$20,990
12-inch Pump Can	2	EA	\$5,430	\$10,860	1k	\$7,493	\$18,353	1980	30	40	-10	4.5	0.46	14	14	\$8,443
4" Swing Check Valve	2	EA	\$2,831	\$5,662	1c	\$3,907	\$9,569	1980	50	40	10	4.5	0.46	23	10	\$1,914
4" Gate Valve	2	EA	\$2,042	\$4,084	1e	\$2,818	\$6,901	1980	30	40	-10	4.5	0.46	14	14	\$3,175
Electrical Shade Structure	1	LS	\$2,785	\$2,785	1n	\$1,922	\$4,707	1980	75	40	35	4.5	0.46	35	35	\$2,165
Electrical and Instrumentation	1	LS	\$8,314	\$8,314	1h	\$5,737	\$14,051	1980	25	40	-15	4.5	0.46	12	12	\$6,464
Tank 3																
50,000-gallon Buried Concrete Tank with Aluminum Cover	1	LS	\$104,424	\$104,424	1i	\$72,053	\$176,477	1980	75	40	35	2.0	0.91	68	35	\$82,356
Overflow and Drain Piping, 6"	40	LF	\$230	\$9,203	1f	\$6,350	\$15,552	1980	30	40	-10	4.5	0.46	14	14	\$7,154
6" Gate Valve	3	EA	\$2,375	\$7,126	1e	\$4,917	\$12,044	1980	20	40	-20	4.5	0.46	9	9	\$5,540
Electrical and Instrumentation	1	LS	\$5,000	\$5,000	1h	\$3,450	\$8,450	1980	25	40	-15	4.5	0.46	12	12	\$3,887
Distribution System																
Pipeline																
2-inch PVC Water Main, SCH 40	2,350	LF	\$40	\$94,000	1p	\$64,860	\$158,860	1980	75	40	35	3.5	0.71	53	35	\$74,135
4-inch PVC Water Main, C900	640	LF	\$81	\$51,816	1p	\$35,753	\$87,569	1980	75	40	35	3.5	0.71	53	35	\$40,865
6-inch PVC Water Main, C900 (ACP Replaced with PVC)	9,900	LF	\$97	\$967,815	1p	\$660,892	\$1,618,707	1980	75	40	35	3.5	0.71	53	35	\$755,996
6-inch PVC Water Main, C900	8,693	LF	\$97	\$841,031	1p	\$580,317	\$1,421,355	1980	75	40	35	3.5	0.71	53	35	\$663,299
8-inch PVC Water Main, C900 (ACP Replaced with PVC)	24,214	LF	\$128	\$3,105,384	1p	\$2,142,715	\$5,248,099	1980	75	40	35	3.5	0.71	53	35	\$2,449,113
8-inch PVC Water Main, C900	23,621	LF	\$128	\$3,029,333	1p	\$2,090,240	\$5,119,573	1980	75	40	35	3.5	0.71	53	35	\$2,389,134
6-inch Cast Iron Water Main	1,230	LF	\$230	\$282,978	1p	\$195,255	\$478,233	1980	75	40	35	3.5	0.71	53	35	\$223,175
8-inch Cast Iron Water Main	2,590	LF	\$295	\$765,153	1p	\$527,966	\$1,293,109	1980	75	40	35	3.5	0.71	53	35	\$603,451
Service Connections																
3/4 inch	117	EA	\$1,875	\$219,375	1q	\$151,369	\$370,744	1980	30	40	10	4.5	0.46	14	14	\$170,542
1 inch	78	EA	\$2,500	\$195,000	1q	\$134,550	\$329,550	1980	30	40	10	4.5	0.46	14	14	\$151,593
1.5 inch	44	EA	\$3,750	\$165,000	1q	\$113,850	\$278,850	1980	30	40	10	4.5	0.46	14	14	\$128,271
2 inch	65	EA	\$5,000	\$325,000	1q	\$224,250	\$549,250	1980	30	40	10	4.5	0.46	14	14	\$252,655
3 inch	3	EA	\$5,000	\$15,000	1q	\$10,350	\$25,350	1980	30	40	10	4.5	0.46	14	14	\$11,661
4 inch	2	EA	\$5,000	\$10,000	1q	\$6,900	\$16,900	1980	30	40	10	4.5	0.46	14	14	\$7,774
Meters																
3/4 inch	117	EA	\$109	\$12,753	1r	\$8,800	\$21,553	1980	30	40	10	4.5	0.46	14	14	\$9,914
1 inch	78	EA	\$155	\$12,090	1r	\$8,342	\$20,432	1980	30	40	10	4.5	0.46	14	14	\$9,39

Table 3 Notes:

1 – Unit costs per item are summarized in Attachment 1.
 2 – Soft costs include the following, applied to the total cost of each component line item:

- Contingency – 30%
- Engineering – 10%
- Construction Oversight – 10%
- Permitting – 5%
- Oversight – 5%

3 – Service life for key components was assigned as follows:

Well	CPUC U-4-W lists 20-40 years, revised to 75 based on experience. Condition rank based on age and description of operation
30 to 40 hp Submersible Well Pump	CPUC U-4-W lists pumping equipping life as 15-35 years, reduced due to experience with submersible well pumps
Check Valves	Judgement/experience
Flow Meters	Judgement/experience
Gate Valves	Judgement/experience
Ductile Iron Piping	Judgement/experience
Small Prefabricated Building	CPUC U-4-W lists 20-60 years for structures.
Buried Concrete Tank	CPUC U-4-W lists 25-100 years
15 to 20 hp Submersible Booster Pump	CPUC U-4-W lists 15-35 years for Pumping Equipment
Submersible Pump Can	Judgement/experience
Shade Structure	CPUC U-4-W lists 20-60 years for structures, increased to 75 years based on experience.
Electrical and Instrumentation Systems	CPUC U-4-W lists 25-45 years for Production Plant Accessory elec. Equip. and 15-25 years for Other Production Accessory Elec. Equip., based on experience.
Chemical Storage, Pumping & Injection Systems	CPUC U-4-W lists 15-35 years for Pumping Equipment; Chemical Storage and Injection based on judgement/experience
PVC Water Main	CPUC U-4-W lists 25-50 years for other pipes. Revised to 75 years for PVC. U-4-W dated 1961 before PVC was widely used.
Service Laterals	CPUC U-4-W lists 20-40
Water Meters	CPUC U-4-W lists 20-40

4.2 Capital Improvements Plan

The Capital Improvements Plan first focuses on improvements required to address compliance issues within the next five years. The short term recommended improvements are:

- Well 1 disinfection system and other minor piping modifications.
- Colony Well disinfection system.
- Replace the standby generator at the Colony Well with a permanent standby generator.
- County Building Well Disinfection System.
- Add a standby generator at the County Building Well.
- Add connections for portable generators at the Booster Stations and purchase a portable generator.
- Site security improvements including intrusion alarms.
- Replacement of existing manual read meters with automatic read meters.
- Replacement of existing SCADA system with standard California American Water SCADA system.

Table 4. West San Martin Water Works, Inc. 5 Year Capital Improvements and Cost West San Martin Water Works, Inc. – Condition Assessment, Valuation and Capital Improvements Plan

Component	Year	CIP Cost
Well 1, Colony Well & County Building Well Disinfection Upgrades	1	\$65,000
Colony Well & County Building Well Standby Generator	2	\$378,000
Booster Stations Automatic Transfer Switch and Portable Generator	3	\$235,000
Site Security Improvements	1	\$58,000
Automatic Meter Readers	1	\$160,000
SCADA System Upgrades	1	\$405,000
Recurring Projects, Cost per Year	Annually	\$35,000
Total for 5 Years		\$1,476,000

Notes:

1 –Costs include the following markups on the base construction cost estimate: 10% Contractor General Conditions (if not included in unit costs), 15% Contractor Overhead and Profit (if not included in unit costs), 30% Contingency, 10% Escalation, 25% Permitting and Engineering, and 5% for California American Water Project Implementation Costs.

Attachment 1

Unit Cost Backup

1a. Well Installation Costs

Recent bid tabulation for a 16-inch diameter well at 400 feet (location is Arizona) is below. Using the mid bid price, the cost per lineal foot for well installation is \$2295 per lineal ft. Adjusting for 10-inch and 12-inch diameter well installation by linear interpolation:

10-inch diameter well: \$1434 per lineal foot

12-inch diameter well: \$1700 per lineal foot

Item No.	Description	Units	No. of Units	Prepared by: AZ Beeman Date Available: 04/20/23		Prepared by: KP Ventures Date Available: 07/29/23		Prepared by: Stewart Brothers Date Available: 04/03/2023		Prepared by: Layne Christensen Date Available: 03/27/2023		Prepared by: Yellow Jacket Date Available: July 2023	
				Unit Price	Total Price	Unit Price	Total Price	Unit Price	Total Price	Unit Price	Total Price	Unit Price	Total Price
1	Mobilization / Demobilization	Lump Sum	1	\$ 60,000	\$ 60,000.00	\$ 60,000	\$ 60,000.00	\$ 120,000	\$ 120,000.00	\$ 168,400	\$ 168,400.00	\$ 25,545	\$ 25,545.00
2	Surface Casing Construction	Lump Sum	1	\$ 22,500	\$ 22,500.00	\$ 24,000	\$ 24,000.00	\$ 18,000	\$ 18,000.00	\$ 37,875	\$ 37,875.00	\$ 22,225	\$ 22,225.00
3	26-inch Borehole Construction												
	A. 16-inch (minimum) pilot hole	Lin ft.	710	\$ 110	\$ 78,100.00	\$ 120	\$ 84,200.00	\$ 110	\$ 78,100.00	\$ 147	\$ 104,370.00	\$ 65	\$ 46,150.00
	B. 26-inch borehole reaming	Lin ft.	710	\$ 95	\$ 67,450.00	\$ 108	\$ 76,680.00	\$ 130	\$ 95,850.00	\$ 162	\$ 115,020.00	\$ 114	\$ 80,940.00
	C. Lost Circulation	Hourly	---	\$ 400		\$ 700		\$ 600		\$ 660		\$ 700	
	D. Drilling fluids used during lost circulation allowance	% Markup	\$ 3,000	15%		10%		15%		5%		15%	
4	Geophysical Logging	Lump Sum	1	\$ 10,000	\$ 10,000.00	\$ 7,500	\$ 7,500.00	\$ 8,000	\$ 8,000.00	\$ 21,970	\$ 21,970.00	\$ 17,950	\$ 17,950.00
5	Formation Water Quality Sampling	Samples	5	\$ 12,500	\$ 62,500.00	\$ 9,000	\$ 45,000.00	\$ 15,000	\$ 75,000.00	\$ 45,670	\$ 219,350.00	\$ 16,250	\$ 81,250.00
	A. Air lift development (additional)	Hourly	---	\$ 450		\$ 500		\$ 500		\$ 725		\$ 700	
6	Casing Cost												
	A. 16.75-inch OD, 16-inch ID HSLA blank (0.375-inch wall with bullnose cap)	Lin ft.	422	\$ 242	\$ 102,124.00	\$ 260	\$ 109,500.00	\$ 225	\$ 94,950.00	\$ 320	\$ 135,040.00	\$ 227	\$ 95,704.00
	(0.090 slot, 0.375-inch wall)	Lin ft.	290	\$ 310	\$ 89,900.00	\$ 325	\$ 94,250.00	\$ 290	\$ 84,100.00	\$ 415	\$ 120,350.00	\$ 288	\$ 82,070.00
	C. 2-inch (ID) HSLA sounding tube (Sch 40, blank)	Lin ft.	402	\$ 21	\$ 8,442.00	\$ 21.25	\$ 8,542.00	\$ 25	\$ 10,050.00	\$ 42	\$ 16,884.00	\$ 19	\$ 7,838.00
	D. 2-inch (ID) HSLA sounding tube (Sch 40, 0.000" mill slot)	Lin ft.	290	\$ 33	\$ 9,570.00	\$ 33.75	\$ 9,787.50	\$ 38	\$ 11,020.00	\$ 51	\$ 14,790.00	\$ 30	\$ 8,700.00
	E. 3-inch (ID) HSLA gravel feed tube (Sch 40)	Lin ft.	392	\$ 43	\$ 16,856.00	\$ 43.75	\$ 17,150.00	\$ 45	\$ 17,640.00	\$ 62	\$ 24,304.00	\$ 39	\$ 15,288.00
7	Casing Installation												
	A. Well casing and screen	Lin ft.	702	\$ 25	\$ 17,550.00	\$ 16	\$ 10,830.00	\$ 28	\$ 19,656.00	\$ 47	\$ 32,994.00	\$ 120	\$ 84,240.00
	B. Sounding tube	Lin ft.	662	\$ 8	\$ 5,336.00	\$ 7.50	\$ 5,160.00	\$ 12	\$ 8,304.00	\$ 25	\$ 17,300.00	\$ 11	\$ 692.00
	C. Gravel feed tube	Lin ft.	392	\$ 10	\$ 3,920.00	\$ 9	\$ 3,528.00	\$ 8	\$ 3,168.00	\$ 11	\$ 4,308.00	\$ 11	\$ 392.00
8	Annular Materials Cost and Installation												
	A. Bentonite seal	Cubic yd.	26	\$ 75	\$ 1,950.00	\$ 100	\$ 2,600.00	\$ 510	\$ 13,260.00	\$ 475	\$ 12,350.00	\$ 22	\$ 572.00
	B. 8 x 8 mesh silica sand filter pack	Tons	60	\$ 800	\$ 48,000.00	\$ 750	\$ 37,500.00	\$ 85	\$ 48,250.00	\$ 750	\$ 38,450.00	\$ 600	\$ 30,000.00
	C. Fine silica sand seal	Tons	1	\$ 1,500	\$ 1,500.00	\$ 800	\$ 800.00	\$ 1,000	\$ 1,000.00	\$ 3,250	\$ 3,250.00	\$ 660	\$ 660.00
	D. Filter Pack Disinfection	Lump Sum	1	\$ 5,000	\$ 5,000.00	\$ 1,000	\$ 1,000.00	\$ 3,750	\$ 3,750.00	\$ 3,620	\$ 3,620.00	\$ 1,000	\$ 1,000.00
	E. Cement Grout	Cubic yard	4	\$ 650	\$ 2,600.00	\$ 500	\$ 2,000.00	\$ 1,500	\$ 6,000.00	\$ 3,567	\$ 14,268.00	\$ 965	\$ 2,895.00
	F. Formation Stabilizer	Tons	41	\$ 180	\$ 7,380.00	\$ 225	\$ 9,225.00	\$ 660	\$ 22,550.00	\$ 387	\$ 15,547.00	\$ 135	\$ 5,335.00
9	Swab and AirLift Development	Hourly	168	\$ 450	\$ 75,600.00	\$ 600	\$ 100,800.00	\$ 575	\$ 96,600.00	\$ 725	\$ 121,800.00	\$ 650	\$ 109,200.00
10	Pump Development and Aquifer Testing												
	A. Furnish, install, and remove test pumping, monitoring, and ancillary equipment	Lump Sum	1	\$ 45,000	\$ 45,000.00	\$ 20,000	\$ 20,000.00	\$ 35,000	\$ 35,000.00	\$ 47,950	\$ 47,950.00	\$ 77,800	\$ 77,800.00
	B. Pumping tests (Development, Step-rate and Constant-rate)	Hourly	80	\$ 425	\$ 34,000.00	\$ 600	\$ 48,000.00	\$ 550	\$ 44,000.00	\$ 380	\$ 31,200.00	\$ 500	\$ 40,000.00
	C. Well re-circulation (if needed)	Lump Sum	---	\$ 2,500		\$ 4,000		\$ 3,750		\$ 3,520		\$ 6,000	
11	Plumbness and Alignment Test and												
	A. Plumbness & Alignment Test	Lump Sum	1	\$ 3,000	\$ 3,000.00	\$ 1,875	\$ 1,875.00	\$ 4,500	\$ 4,500.00	\$ 6,700	\$ 6,700.00	\$ 3,450	\$ 3,450.00
	B. Video Survey	Lump Sum	1	\$ 2,500	\$ 2,500.00	\$ 1,500	\$ 1,500.00	\$ 2,000	\$ 2,000.00	\$ 2,600	\$ 2,600.00	\$ 2,500	\$ 2,500.00
	C. Dummy Test (if required)	Lump Sum	1	\$ 5,000		\$ 5,000		\$ 3,750		\$ 9,700		\$ 2,500	
12	Unavoidable Delay												
	A. With crew	Hourly	---	\$ 400		\$ 700		\$ 600		\$ 725		\$ 700	
	B. Without crew	Hourly	---	\$ 250		\$ 600		\$ 500		\$ 420		\$ 600	
13	Well Abandonment	Lin ft.	710	\$ 35		\$ 50		\$ 50		\$ 67		\$ 65	
14	Taxes	Lump Sum	1	\$ 23,725.00		\$ 36,427.15		\$ 46,123.00		\$ 68,000.00		\$ 49,166.00	
	1st Rate			2.083%		4.411%		4.762%		4.637%		4.173%	
	Subtotal			\$ 771,748.00		\$ 778,358.00		\$ 922,460.00		\$ 1,336,856.00		\$ 922,281.00	
	TOTAL PRICE (Items 1-14) Numeric Value:			\$ 795,473.00		\$ 814,785.15		\$ 968,583.00		\$ 1,401,856.00		\$ 962,447.00	

Note: Received Beeman total is \$795,127.00? (Math triple checked). No specified special requests.

1b. Well Pump Costs

40 hp submersible well pump

Source: Goulds

Item	Size	Cost Per Unit	Material & Labor	Subtotal	San Jose Cost Index	Adjusted for City Cost Index	Source
Submersible Well Pump	40-hp	\$ 10,332.00	\$ 10,848.60	\$ 21,180.60	124.5	\$ 26,369.85	Goulds, Material & Labor based on experience
Submersible Well Pump	30-hp	\$ 7,749.00	\$ 8,136.45	\$ 15,885.45	125.5	\$ 19,936.24	Used Goulds 40 hp price and adjusted, Material & Labor based on experience

Goulds 6M404, CentriPro 6" Motor (40 HP, 3 Phase, 460 Volts, 6" Diameter)



★★★★★
MSRP: ~~\$10,322.00~~
Your Price: Add to Cart to View Price

Quantity:

ADD TO CART

Images may be generic. Please inquire

1c. Swing Check Valves, Flanged Ends

Source: Flomatic Valves 2023 Price List, Effective January 16, 2023 for valve material cost, see material cost below. The labor and materials cost for valve installation was obtained from the 2023 Heavy Construction Costs with RS Means Data, see table following materials price list.

Item	Size	Cost Per Unit	Material & Labor	Subtotal	San Jose Cost Index	Adjusted for City Cost Index	Source
Check Valves, Flanged Connections	4-inch	\$ 2,022.00	\$ 252.00	\$ 2,274.00	124.5	\$ 2,831.13	Flomatic For Valve Cost, 2023 Heavy Construction Costs with RS Means Data for Material & Labor
Includes Material & Labor	6-inch	\$ 2,661.00	\$ 252.00	\$ 2,913.00	124.5	\$ 3,626.69	Flomatic For Valve Cost, 2023 Heavy Construction Costs with RS Means Data for Material & Labor
	8-inch	\$ 3,964.00	\$ 252.00	\$ 4,216.00	124.5	\$ 5,248.92	Flomatic For Valve Cost, 2023 Heavy Construction Costs with RS Means Data for Material & Labor

WWW.FLOMATIC.COM

78 Discount Code **B**



78 - Epoxy coated ductile iron body. Flanged connection, class 150. Metal reinforced neoprene swing disc, other seals are available that are chemically resistant especially to chloramines. In-line serviceable.

Temp Max: 140°F (60°C) Pressure Max: 175 PSI

SIZE	PART NO.	WGT.	LIST PRICE
2 1/2"	2181	35	\$ 845
3"	2182	38	\$ 676
4"	2183	49	\$ 863
6"	2186	172	\$ 3,242



78A Discount Code **B**



78A - Epoxy coated ductile iron body. Flanged connection, class 150. Metal reinforced neoprene swing disc, other seals are available that are chemically resistant especially to chloramines. In-line serviceable. (Same as ANSI 90° elbow dimension).

Temp Max: 140°F (60°C) Pressure Max: 175 PSI

SIZE	PART NO.	WGT.	LIST PRICE
3"	2182A	33	\$ 822
4"	2183A	46	\$ 1,147
6"	2185A	90	\$ 1,911
8"	2186A	172	\$ 3,647
10"	2187A	335	\$ 8,587
12"	2188A	432	POA

93LW Discount Code **B**



93LW - Epoxy coated ductile iron body with outside lever and weight. Epoxy coated cast iron body. Flanged connection, class 125. Meets AWWA C508. Stainless steel trim with stainless steel shaft an bronze clapper assembly. Rubber seating standard. Imported, mainly for AG/Irrigation purposes, not municipal. Arm on left side only.

Temp Max: 180°F (80°C) Pressure Max: 200 PSI

SIZE	PART NO.	WGT.	LIST PRICE
2"	2804LW	38	\$ 1,782
3"	2806LW	62	\$ 1,822
4"	2807LW	90	\$ 2,022
6"	2808LW	163	\$ 2,681
8"	2810LW	282	\$ 3,964
10"	2811LW	481	\$ 7,499

33 14 Water Utility Transmission and Distribution

33 14 17 - Site Water Utility Service Laterals

33 14 17.15 Tapping, Crosses and Sleeves	Crew	Daily Output	Labor-Hours	Unit	2023 Bare Costs			Total	Total Incl O&P
					Material	Labor	Equipment		
8800 Hydrant valve box, 6' long	B-20	20	1,200	Eq.	360	63		423	495
8820 8" long		18	1,333		415	70		485	565
8830 Valve box w/lid 4' deep		14	1,714		117	90		207	264
8840 Valve box and large base w/lid		14	1,714		360	90		450	530

33 14 19 - Valves and Hydrants for Water Utility Service

33 14 19.10 Valves

0010 VALVES, water distribution									
0011 See Sections 22 05 23.20 and 27 05 23.60									
3000 Butterfly valves with boxes, cast iron, mechanical joint									
3100 4" diameter	B-6	6	4	Eq.	1,050	206	46	1,302	1,500
3180 8" diameter		6	4		1,750	206	46	2,002	2,300
3340 12" diameter		6	4		3,275	206	46	3,527	3,950
3400 14" diameter		4	6		6,050	310	69.5	6,429.5	7,175
3460 18" diameter		4	6		12,000	310	69.5	12,379.5	13,600
3480 20" diameter		4	6		15,800	310	69.5	16,179.5	17,900
3500 24" diameter		4	6		26,700	310	69.5	27,079.5	29,800
3510 30" diameter		4	6		16,900	310	69.5	17,279.5	19,100
3520 36" diameter		4	6		21,000	310	69.5	21,379.5	23,600
3530 42" diameter		4	6		26,600	310	69.5	26,979.5	29,800
3540 48" diameter		4	6		34,300	310	69.5	34,679.5	38,200
3600 With lever operator									
3610 4" diameter	B-6	6	4	Eq.	925	206	46	1,177	1,375
3616 8" diameter		6	4		1,650	206	46	1,902	2,150
3620 12" diameter		6	4		3,150	206	46	3,402	3,825
3624 16" diameter		4	6		9,250	310	69.5	9,629.5	10,700
3630 24" diameter		4	6		26,300	310	69.5	26,679.5	29,400
3700 Check valves, forged									
3710 4" diameter	B-6	6	4	Eq.	1,175	206	46	1,427	1,650
3714 6" diameter		6	4		2,350	206	46	2,602	2,950
3716 8" diameter		6	4		3,975	206	46	4,227	4,700
3720 12" diameter		6	4		12,600	206	46	12,852	14,300
3726 18" diameter		4	6		33,600	310	69.5	33,979.5	37,500
3730 24" diameter		4	6		60,000	310	69.5	60,379.5	66,500
3800 Gate valves, C.I., 125 psi, mechanical joint, w/boxes									
3810 4" diameter	B-6	6	4	Eq.	1,600	206	46	1,852	2,125
3814 6" diameter		6	4		2,500	206	46	2,752	3,100
3816 8" diameter		6	4		5,025	206	46	5,277	5,875
3818 10" diameter		6	4		9,050	206	46	9,302	10,300
3820 12" diameter		6	4		12,300	206	46	12,552	13,900
3822 14" diameter		4	6		25,300	310	69.5	25,679.5	28,300
3824 16" diameter		4	6		35,700	310	69.5	36,079.5	39,800
3828 20" diameter		4	6		60,000	310	69.5	60,379.5	66,500
3830 24" diameter		4	6		89,000	310	69.5	89,379.5	98,500
3831 30" diameter		4	6		58,500	310	69.5	58,879.5	65,000
3832 36" diameter		4	6		91,500	310	69.5	91,879.5	101,000
3880 Sleeve, for tapping mains, 8" x 4", odd					1,525			1,525	1,675
3884 10" x 6", odd					1,525			1,525	1,675
3888 12" x 6", odd					1,650			1,650	1,800
3892 12" x 8", odd					2,100			2,100	2,300

1d. Flow Meter, Flanged Ends

Source: Instrumart for flow meter costs, materials and labor costs applied were based on judgement.

Item	Size	Cost Per Unit	Material & Labor	Subtotal	San Jose Cost Index	Adjusted for City Cost Index	Source
MAG Flow Meter	4-inch	\$ 2,920.00	\$ 252.00	\$ 3,172.00	124.5	\$ 3,949.14	Instrumart for Meter Cost, Material and Labor Judgement
	6-inch	\$ 3,280.00	\$ 252.00	\$ 3,532.00	124.5	\$ 4,397.34	Instrumart for Meter Cost, Material and Labor Judgement

Four inch flow meter:

Shopping Cart
 Base Price: \$2,503.64

Nominal Diameter
 4in (DN 100) (+\$415.92)

Nominal Pressure
 150 psi

Part Number
 VN144BA0100B110000000000000

Approvals [Show Configuration](#)
 None- not explosion proof

System Design/ Cable Connection
 Compact with aluminum converter housing cable connection at converter

Converter Model Compatibility
 Without Price: \$2,919.56

Lining Quantity:
 Standard

Electrodes Subtotal: \$2,919.56
 Hastelloy C22 (standard)

Housing/ Flange Material
 Steel/ steel st 37-C22/ A 105

Protection Class/ Dimension
 IP 67/ Standard

Cable Subtotal: \$2,919.56
 None for compact integral mount converters

Cable Length
 None for compact integral mount converters

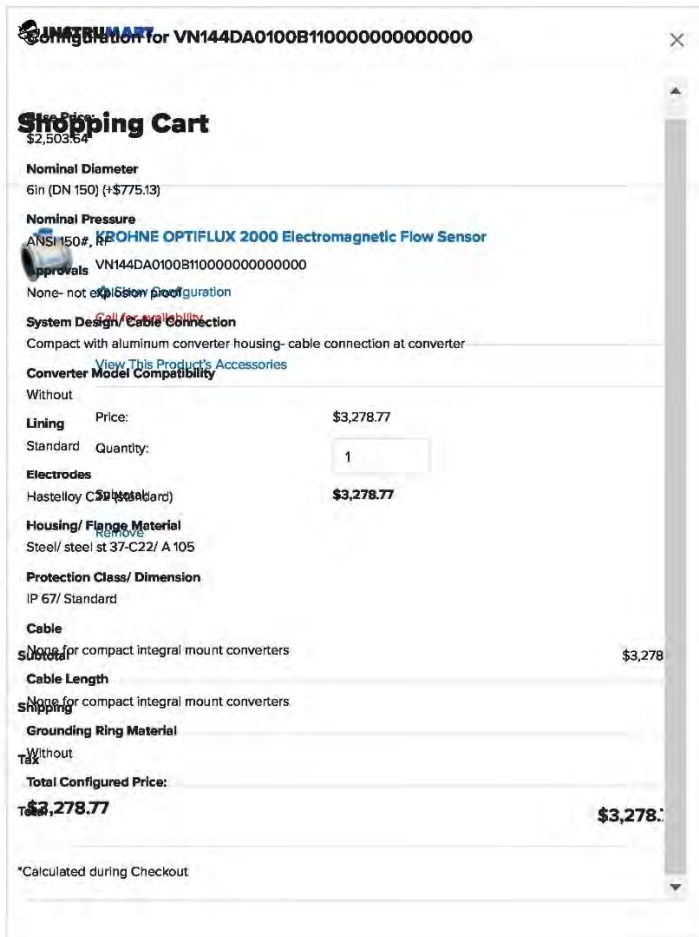
Shipping
 None for compact integral mount converters

Grounding Ring Material
 Tax Without

Total Configured Price: \$2,919.56

*Calculated during Checkout

Six inch flow meter:



1e. Gate Valves, MJ and Flanged Connections

Source: Flomatic Valves 2023 Price List, Effective January 16, 2023 for valve material cost, see material cost below. The labor and materials cost for valve installation was obtained from the 2023 Heavy Construction Costs with RS Means Data, the same labor and materials cost that was applied for check valves was applied for gate valves.

Item	Size	Cost Per Unit	Material & Labor	Subtotal	San Jose Cost Index	Adjusted for City Cost Index	Source
Gate Valves, NRS, Flanged Connections	4-inch	\$ 1,388.00	\$ 252.00	\$ 1,640.00	124.5	\$ 2,041.80	Flomatic For Valve Cost, 2023 Heavy Construction Costs with RS Means Data for Material & Labor
Includes Material & Labor	6-inch	\$ 2,130.00	\$ 252.00	\$ 2,382.00	124.5	\$ 2,965.59	Flomatic For Valve Cost, 2023 Heavy Construction Costs with RS Means Data for Material & Labor
	8-inch	\$ 3,176.00	\$ 252.00	\$ 3,428.00	124.5	\$ 4,267.86	Flomatic For Valve Cost, 2023 Heavy Construction Costs with RS Means Data for Material & Labor



MECHANICAL JOINT - Ductile iron resilient wedge gate valves which meet AWWA C515 standard, with stainless steel stem, class 150, MJ flange. Non rising stem.

Temp Max: 140 °F (60 °C) Pressure Max: 250 PSI

SIZE	PART NO.	WGT.	LIST PRICE
2"	8560MJ	28	\$ 442
3"	8562MJ	44	\$ 737
4"	8563MJ	69	\$ 923
6"	8564MJ	119	\$ 1,656
8"	8565MJ	203	\$ 2,680
10"	8566MJ	278	\$ 3,934
12"	8567MJ	421	\$ 5,503
16"	8569MJ	656	\$ 8,612



FLANGED - Ductile iron resilient wedge gate valves which meet AWWA C509 standard with bronze stem, class 150. Non rising stem.

Temp Max: 140 °F (60 °C) Pressure Max: 250 PSI

Tapped & plugged

SIZE	PART NO.	WGT.	LIST PRICE
2 ½"	8461	38	\$ 1,087
3"	8462	56	\$ 1,260
4"	8463	78	\$ 1,388
6"	8464	138	\$ 2,130
8"	8465	214	\$ 3,176
10"	8466	360	\$ 4,683
12"	8467	531	\$ 5,893

1f. Above Ductile Iron Piping

See section 1p.

1g. Prefabricated Building

Source: Duramax, see below



Duramax 8X6 Palladium Metal Shed Kit - Light Gray [41372]

The DuraMax 8x6 Palladium metal shed is a unique looking shed that brings outdoor storage to a modern world.

Free shipping

\$1,679.00

[Visit Sheds For Less](#)

Price History



[View detailed price history](#)

1h. Electrical

Electrical and instrumentation costs are assumed to be 30% to 50% of construction cost (excluding tank or well installation costs).

1i. Buried Concrete Tank Costs

Source: Estimated using tank sizes and assumed depths of tanks. Estimated excavation, backfill, concrete and tank cover costs. Estimates for the 400,000 gallon Big Tank and the 50,000 gallon Tanks 1, 2 and 3 are included below.

Insert 400,000 gallon tank estimate

Insert 50,000 gallon tank estimate

1j. 15- and 20- hp Submersible Booster Pumps

Source: Quote from pump rep for 30-hp submersible booster pump and motor for a project in California was \$26,997. Cost is for materials only. Assuming linear interpolation the costs of 15- and 20- hp pumps are as follows:

15-hp: \$13,500

20-hp: \$18,000

1k. 12-inch Booster Pump Can

Source: Assuming a 12-inch diameter ductile iron pump can, 10 ft length per pump.

SIZE: 12 INCH													
LEN.	FxF		FxPE		FxG		GxG		GxPE		PExPE		LEN.
	WT.	PRICE	WT.	PRICE	WT.	PRICE	WT.	PRICE	WT.	PRICE	WT.	PRICE	
1' 0"	151	\$2,009	100	\$ 1,164	100	\$ 1,515	49	\$ 1,175	49	\$ 824	49	\$ 473	1' 0"
1' 6"	176	\$2,199	125	\$ 1,354	125	\$ 1,705	74	\$ 1,365	74	\$ 1,014	74	\$ 663	1' 6"
2' 0"	200	\$2,389	149	\$ 1,544	149	\$ 1,895	98	\$ 1,555	98	\$ 1,204	98	\$ 853	2' 0"
2' 6"	225	\$2,579	174	\$ 1,734	174	\$ 2,085	123	\$ 1,745	123	\$ 1,394	123	\$ 1,043	2' 6"
3' 0"	250	\$2,769	199	\$ 1,924	199	\$ 2,275	148	\$ 1,935	148	\$ 1,584	148	\$ 1,233	3' 0"
3' 6"	274	\$2,959	223	\$ 2,114	223	\$ 2,465	172	\$ 2,125	172	\$ 1,774	172	\$ 1,423	3' 6"
4' 0"	299	\$3,149	248	\$ 2,304	248	\$ 2,655	197	\$ 2,315	197	\$ 1,964	197	\$ 1,613	4' 0"
4' 6"	323	\$3,339	272	\$ 2,494	272	\$ 2,845	221	\$ 2,505	221	\$ 2,154	221	\$ 1,803	4' 6"
5' 0"	348	\$3,529	297	\$ 2,684	297	\$ 3,035	246	\$ 2,695	246	\$ 2,344	246	\$ 1,993	5' 0"
5' 6"	373	\$3,719	322	\$ 2,874	322	\$ 3,225	271	\$ 2,885	271	\$ 2,534	271	\$ 2,183	5' 6"
6' 0"	397	\$3,909	346	\$ 3,064	346	\$ 3,415	295	\$ 3,075	295	\$ 2,724	295	\$ 2,373	6' 0"
6' 6"	422	\$4,099	371	\$ 3,254	371	\$ 3,605	320	\$ 3,265	320	\$ 2,914	320	\$ 2,563	6' 6"
7' 0"	446	\$4,289	395	\$ 3,444	395	\$ 3,795	344	\$ 3,455	344	\$ 3,104	344	\$ 2,753	7' 0"
7' 6"	471	\$4,479	420	\$ 3,634	420	\$ 3,985	369	\$ 3,645	369	\$ 3,294	369	\$ 2,943	7' 6"
8' 0"	496	\$4,669	445	\$ 3,824	445	\$ 4,175	394	\$ 3,835	394	\$ 3,484	394	\$ 3,133	8' 0"
8' 6"	520	\$4,859	469	\$ 4,014	469	\$ 4,365	418	\$ 4,025	418	\$ 3,674	418	\$ 3,323	8' 6"
9' 0"	545	\$5,049	494	\$ 4,204	494	\$ 4,555	443	\$ 4,215	443	\$ 3,864	443	\$ 3,513	9' 0"
9' 6"	569	\$5,239	518	\$ 4,394	518	\$ 4,745	467	\$ 4,405	467	\$ 4,054	467	\$ 3,703	9' 6"
10' 0"	594	\$5,429	543	\$ 4,584	543	\$ 4,935	492	\$ 4,595	492	\$ 4,244	492	\$ 3,893	10' 0"
10' 6"	619	\$5,619	568	\$ 4,774	568	\$ 5,125	517	\$ 4,785	517	\$ 4,434	517	\$ 4,083	10' 6"
11' 0"	643	\$5,809	592	\$ 4,964	592	\$ 5,315	541	\$ 4,975	541	\$ 4,624	541	\$ 4,273	11' 0"
11' 6"	668	\$5,999	617	\$ 5,154	617	\$ 5,505	566	\$ 5,165	566	\$ 4,814	566	\$ 4,463	11' 6"
12' 0"	692	\$6,189	641	\$ 5,344	641	\$ 5,695	590	\$ 5,355	590	\$ 5,004	590	\$ 4,653	12' 0"
12' 6"	717	\$6,379	666	\$ 5,534	666	\$ 5,885	615	\$ 5,545	615	\$ 5,194	615	\$ 4,843	12' 6"
13' 0"	742	\$6,569	691	\$ 5,724	691	\$ 6,075	640	\$ 5,735	640	\$ 5,384	640	\$ 5,033	13' 0"
13' 6"	766	\$6,759	715	\$ 5,914	715	\$ 6,265	664	\$ 5,925	664	\$ 5,574	664	\$ 5,223	13' 6"
14' 0"	791	\$6,949	740	\$ 6,104	740	\$ 6,455	689	\$ 6,115	689	\$ 5,764	689	\$ 5,413	14' 0"
14' 6"	815	\$7,139	764	\$ 6,294	764	\$ 6,645	713	\$ 6,305	713	\$ 5,954	713	\$ 5,603	14' 6"
15' 0"	840	\$7,329	789	\$ 6,484	789	\$ 6,835	738	\$ 6,495	738	\$ 6,144	738	\$ 5,793	15' 0"
15' 6"	865	\$7,519	814	\$ 6,674	814	\$ 7,025	763	\$ 6,685	763	\$ 6,334	763	\$ 5,983	15' 6"
16' 0"	889	\$7,709	838	\$ 6,864	838	\$ 7,215	787	\$ 6,875	787	\$ 6,524	787	\$ 6,173	16' 0"
16' 6"	914	\$7,899	863	\$ 7,054	863	\$ 7,405	812	\$ 7,065	812	\$ 6,714	812	\$ 6,363	16' 6"
17' 0"	938	\$8,089	887	\$ 7,244	887	\$ 7,595	836	\$ 7,255	836	\$ 6,904	836	\$ 6,553	17' 0"
17' 6"	963	\$8,279	912	\$ 7,434	912	\$ 7,785	861	\$ 7,445	861	\$ 7,094	861	\$ 6,743	17' 6"
18' 0"	988	\$8,469	937	\$ 7,624	937	\$ 7,975	886	\$ 7,635	886	\$ 7,284	886	\$ 6,933	18' 0"
18' 6"	1012	\$8,659	961	\$ 7,814	961	\$ 8,165	910	\$ 7,825	910	\$ 7,474	910	\$ 7,123	18' 6"
19' 0"	1037	\$8,849	986	\$ 8,004	986	\$ 8,355	935	\$ 8,015	935	\$ 7,664	935	\$ 7,313	19' 0"
19' 6"	1061	\$9,039	1010	\$ 8,194	1010	\$ 8,545	959	\$ 8,205	959	\$ 7,854	959	\$ 7,503	19' 6"
20' 0"	1086	\$9,229	1035	\$ 8,384	1035	\$ 8,735	984	\$ 8,395	984	\$ 8,044	984	\$ 7,693	20' 0"

† SUBJECT TO AVAILABILITY

ADD - ONS

12" Cement Lined

1l. Sodium Hypochlorite Storage and Chemical Feed Pump

Source: Poolweb, this chemical storage and feed pump is like what is installed at West San Martin Booster Pump Station 1



Stenner Poolweb #S7G45MJH1A1STAA

7.5 Gallon Gray Chemical Tank With 45MHP2 Adjustable Pump - 100 PSI 3 GPD 120 Volt - 1/4 Inch Standard Tubing

[WRITE A REVIEW](#)

[ASK A QUESTION](#)

SHIPS AFTER MAR 13, 2023

\$612.90 & SHIPS FREE!

- 1 +

BUY NOW

Shipping Options [\(more\)](#)

- Standard Shipping, **Free**
- 2 Day Shipping, \$190.17
- 1 Day Shipping, \$219.30

Shopper Protection

- This item is backed by a 30 day [Return Policy](#)
- This item is protected under the [Poolweb Guarantee](#)

1m. Sodium Hypochlorite Injection Quill

Source: Grainger.

Easy-Maintenance Injectors



A ball valve allows you to isolate the flow to minimize spillage. Outlet tubes can be removed for maintenance and cleaning without shutting down the line. To remove the tube from the pipe, loosen the compression fitting and retract it until the limit chains are taut. Then, close the ball valve and unhook the limit chains. There may be spillage if the process pipe is under pressure.

For technical drawings and 3-D models, click on a part number.

Injector for Chlorine and Water

Outlet					Inlet					Valve					
Pipe Size	Thread Type	Gender	Tube Lg.	Tube Material	Pipe Size	Thread Type	Gender	Lg.	Lg.	Retractable	Seal Material	Max. Pressure, psi	Material	Type	Each
For Chlorine and Water															
3/4	NPT	Male	6"	CPVC Plastic	1/2	NPT	Male	12 1/4"	18 1/4"	Retractable	Fluoroelastomer Rubber	150	CPVC Plastic	Ball	3347K42 \$562.54
1	NPT	Male	6"	CPVC Plastic	1/2	NPT	Male	15"	21 1/4"	Retractable	Fluoroelastomer Rubber	150	CPVC Plastic	Ball	3347K44 \$22.22

1n. Electrical and Chemical Shade Structure

Assumed to be \$20 per square foot of area covered.

1o. 1-inch Air Vacuum Relief Valve

Source: 2023 Heavy Construction Costs with RS Means Data.

Item	Size	Cost Per Unit	Material & Labor	Subtotal	San Jose Cost Index	Adjusted for City Cost Index	Source
Air Vacuum Relief Valves	1-inch	\$ 705.00	\$ 41.00	\$ 746.00	124.5	\$ 928.77	2023 Heavy Construction Costs with RS Means Data
	2-inch	\$ 1,025.00	\$ 64.00	\$ 1,089.00	124.5	\$ 1,355.81	2023 Heavy Construction Costs with RS Means Data

14 Water Utility Transmission and Distribution									
14 19 - Valves and Hydrants for Water Utility Service									
14 19.20 Valves									
	Daily Crew	Labor Output	Hours	Unit	Material	2023 Labor	Base Costs Equipment	Total	Total Incl O&P
VALVES									
Special trim or use									
Altitude valve, single acting, modulating, 2-1/2" diameter									
3" diameter	8-6	6	4	Ea.	6,075	206	46	6,327	7,050
4" diameter		6	4		7,125	206	46	7,377	8,175
6" diameter		6	4		8,800	206	46	9,052	10,100
8" diameter		6	4		12,100	206	46	12,352	13,700
10" diameter		6	4		13,300	206	46	13,552	15,000
12" diameter		6	4		20,200	206	46	20,452	22,700
Altitude valve, single acting, non-modulating, 2-1/2" diameter		6	4		20,400	206	46	20,652	22,800
3" diameter		6	4		6,150	206	46	6,402	7,125
4" diameter		6	4		6,225	206	46	6,477	7,200
6" diameter		6	4		7,300	206	46	7,552	8,375
8" diameter		6	4		9,025	206	46	9,277	10,300
10" diameter		6	4		13,000	206	46	13,252	14,700
12" diameter		6	4		13,600	206	46	13,852	15,400
Altitude valve, double acting, non-modulating, 2-1/2" diameter		6	4		21,000	206	46	21,252	23,400
3" diameter		6	4		5,475	206	46	5,727	6,375
4" diameter		6	4		5,700	206	46	5,952	6,600
6" diameter		6	4		6,700	206	46	6,952	7,725
8" diameter		6	4		7,550	206	46	7,802	8,650
10" diameter		6	4		9,600	206	46	9,852	11,000
12" diameter		6	4		13,000	206	46	13,252	14,800
Air release valve for water, 1/2" inlet	1 Plum	16	500		19,800	206	46	20,052	22,200
3/4" inlet		16	500		287	36		323	370
1" inlet		16	500		216	36		252	292
2" inlet		14	571		355	41		396	450
Air release & vacuum valve for water, 1/2" inlet		9	889		680	64		744	845
3/4" inlet		16	500		170	36		206	242
1" inlet		16	500		435	36		471	530
2" inlet		14	571		705	41		746	840
3" inlet		9	889		1,025	64		1,089	1,225
4" inlet	0-1	8	2		2,100	130		2,230	2,525
6" inlet		5	3,200		3,075	208		3,283	3,675
8" inlet		5	3,200		4,425	208		4,633	5,175
10" inlet		5	3,200		14,300	208		14,508	16,000
Valves, gate valve, N.R.S. PIV with post, 4" diameter	8-6	6	4		16,000	208		16,208	17,900
8" diameter		6	4		3,375	206	46	3,627	4,050
12" diameter		6	4		6,775	206	46	7,027	7,800
OS&Y, 4" diameter		6	4		14,100	206	46	14,352	15,900
8" diameter		6	4		1,050	206	46	1,302	1,525
12" diameter		6	4		1,625	206	46	1,877	2,125
14" diameter		6	4		3,675	206	46	3,927	4,400
Check valves, rubber disc, 2-1/2" diameter		4	6		5,400	310	69.5	5,779.5	6,450
4" diameter		6	4		545	206	46	797	955
8" diameter		6	4		1,175	206	46	1,427	1,650
12" diameter		6	4		3,975	206	46	4,227	4,700
Detector check valves, reducing, 4" diameter		6	4		12,600	206	46	12,852	14,300
8" diameter		6	4		2,525	206	46	2,777	3,125
Galvanized, 4" diameter		6	4		5,550	206	46	5,802	6,450
8" diameter		6	4		2,450	206	46	2,702	3,050
		6	4		6,225	206	46	6,477	7,200

Construction Costs with RSMeans data, call 800.448.8182.

1p. Pipeline

Source: 2023 Heavy Construction Costs with RS Means Data was used for ductile iron pipe costs (below grade), US pipe was used for ductile iron pipe costs above grade, and for PVC C900 pipe material cost a price sheet from Core and Main in San Jose was used. The cost by pipe size and material is outlined below with the supporting pages from Means, US pipe or Core and Main behind.

Pipeline Installation Costs							
Below Grade Piping							
AWWA C900, DR 18, Class 150, 4-inch							
	Unit Cost	Source					
Pipe Materials and Installation	\$15.12	Core and Main with Means Labor and Equipment Added					
Excavation/Trenching/Backfill/Compaction	\$6.20	2023 Heavy Construction Costs with RS Means Data					
Pipe Bedding	\$2.41	2023 Heavy Construction Costs with RS Means Data	Area per ft	Sq Yard Per Foot	Cost Per Foot		
Pavement Removal	\$4.89	2023 Heavy Construction Costs with RS Means Data	4 ft2	0.444444 sq yd	4.888888889		
Pavement Replacement	\$35.91	2023 Heavy Construction Costs with RS Means Data	4 ft3	0.444444 sq yd	35.91111111		
Traffic Control	\$0.50	Judgement					
Subtotal	\$65.03						
San Jose Cost Index	124.5	2023 Heavy Construction Costs with RS Means Data					
Total	\$80.96						
AWWA C900, DR 18, Class 150, 6-inch							
	Unit Cost	Source					
Pipe Materials and Installation	\$27.80	Core and Main with Means Labor and Equipment Added					
Excavation/Trenching/Backfill/Compaction	\$6.20	2023 Heavy Construction Costs with RS Means Data					
Pipe Bedding	\$2.41	2023 Heavy Construction Costs with RS Means Data	Area per ft	Sq Yard Per Foot	Cost Per Foot		
Pavement Removal	\$4.89	2023 Heavy Construction Costs with RS Means Data	4 ft2	0.444444 sq yd	4.888888889		
Pavement Replacement	\$35.91	2023 Heavy Construction Costs with RS Means Data	4 ft3	0.444444 sq yd	35.91111111		
Traffic Control	\$0.50	Judgement					
Subtotal	\$77.71						
San Jose Cost Index	124.5	2023 Heavy Construction Costs with RS Means Data					
Total	\$96.75						
AWWA C900, DR 18, Class 150, 8-inch							
	Unit Cost	Source					
Pipe Materials and Installation	\$47.72	Core and Main with Means Labor and Equipment Added					
Excavation/Trenching/Backfill/Compaction	\$8.28	2023 Heavy Construction Costs with RS Means Data					
Pipe Bedding	\$5.21	2023 Heavy Construction Costs with RS Means Data	Area per ft	Sq Yard Per Foot	Cost Per Foot		
Pavement Removal	\$4.89	2023 Heavy Construction Costs with RS Means Data	4 ft2	0.444444 sq yd	4.888888889		
Pavement Replacement	\$35.91	2023 Heavy Construction Costs with RS Means Data	4 ft2	0.444444 sq yd	35.91111111		
Traffic Control	\$1.00	Judgement					
Subtotal	\$103.01						
San Jose Cost Index	124.5	2023 Heavy Construction Costs with RS Means Data					
Total	\$128.25						
6-inch DIP, MJ							
	Unit Cost	Source					
Pipe Materials and Installation	\$130.00	2023 Heavy Construction Costs with RS Means Data					
Excavation/Trenching/Backfill/Compaction	\$8.28	2023 Heavy Construction Costs with RS Means Data					
Pipe Bedding	\$5.21	2023 Heavy Construction Costs with RS Means Data	Area per ft	Sq Yard Per Foot	Cost Per Foot		
Pavement Removal	\$4.89	2023 Heavy Construction Costs with RS Means Data	4 ft2	0.444444 sq yd	4.888888889		
Pavement Replacement	\$35.91	2023 Heavy Construction Costs with RS Means Data	4 ft3	0.444444 sq yd	35.91111111		
Traffic Control	\$0.50	Judgement					
Subtotal	\$184.79						
San Jose Cost Index	124.5	2023 Heavy Construction Costs with RS Means Data					
Total	\$230.06						
8-inch DIP, MJ							
	Unit Cost	Source					
Pipe Materials and Installation	\$182.00	2023 Heavy Construction Costs with RS Means Data					
Excavation/Trenching/Backfill/Compaction	\$8.28	2023 Heavy Construction Costs with RS Means Data					
Pipe Bedding	\$5.21	2023 Heavy Construction Costs with RS Means Data	Area per ft	Sq Yard Per Foot	Cost Per Foot		
Pavement Removal	\$4.89	2023 Heavy Construction Costs with RS Means Data	4 ft2	0.444444 sq yd	4.888888889		
Pavement Replacement	\$35.91	2023 Heavy Construction Costs with RS Means Data	4 ft3	0.444444 sq yd	35.91111111		
Traffic Control	\$1.00	Judgement					
Subtotal	\$237.29						
San Jose Cost Index	124.5	2023 Heavy Construction Costs with RS Means Data					
Total	\$295.43						
Above Grade Piping							
Flanged, Ductile Iron Pipe, Cement Lined							
	Size	Cost Per Unit	Material & Labor	Subtotal	San Jose Cost Index	Adjusted for City Cost Index	Source
	4-inch	\$	164.80 \$ 10.00	\$ 174.80	124.5	\$ 217.63	US Pipe
	6-inch	\$	199.55 \$ 10.00	\$ 209.55	124.5	\$ 260.89	US Pipe
	8-inch	\$	281.15 \$ 10.00	\$ 291.15	124.5	\$ 362.48	US Pipe

33 14 Water Utility Transmission and Distribution

33 14 13 - Public Water Utility Distribution Piping

33 14 13.20 Water Supply, Polyethylene Pipe, C901	Crew	Daily Output	Labor Hours	Unit	2023 Bare Costs			Total	Total Incl O&P
					Material	Labor	Equipment		
2260 1-1/2" diameter	Q-1A	285	.035	Eq.	3.3	2.5		5.8	7.5
2280 2" diameter		255	.039		4.6	2.8		7.4	9.3
2300 Coupling, 3/4" diameter		66	.152		1.7	11		12.7	18.2
2320 1" diameter		57	.175		2.2	12.7		14.9	21.5
2340 1-1/2" diameter		51	.196		5.5	14.2		19.7	27
2360 2" diameter		48	.208		7.0	15.1		22.1	30.5
2400 Elbow, 90°, 3/4" diameter		66	.152		2.8	11		13.8	19.4
2420 1" diameter		57	.175		3.3	12.7		16.0	22.5
2440 1-1/2" diameter		51	.196		8.7	14.2		22.9	30.5
2460 2" diameter		48	.208		11.6	15.1		26.7	35.5
2500 Tee, 3/4" diameter		42	.238		3.3	17.2		20.6	29
2520 1" diameter		39	.256		5.4	18.6		24	33.5
2540 1-1/2" diameter		33	.303		13.0	22		35.0	47
2560 2" diameter		30	.333		17.6	24		41.6	55.5

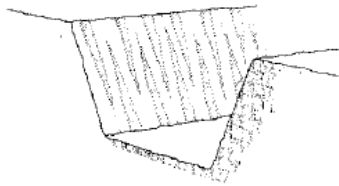
33 14 13.25 Water Supply, Polyvinyl Chloride Pipe

0010 WATER SUPPLY, POLYVINYL CHLORIDE PIPE									
0020 Not including excavation or backfill, unless specified									
2100 PVC pipe, Class 150, 1-1/2" diameter	Q-1A	750	.013	L.F.	1.4	.97		2.4	3.0
2120 2" diameter		686	.015		1.4	1.0		2.4	3.1
2140 2-1/2" diameter		500	.020		2.3	1.4		3.8	4.7
2160 3" diameter	B-20	430	.056		3.0	2.9		5.9	7.7
3010 AWWA C905, PR 100, DR 25									
3030 14" diameter	B-21	213	.131	L.F.	18.8	7.1	.91	26.8	32
3040 16" diameter		200	.140		25.5	7.6	.96	34.1	40.5
3050 18" diameter		160	.175		31	9.5	1.2	41.7	49.5
3060 20" diameter		133	.211		38.5	11.5	1.4	51.4	61.5
3070 24" diameter		107	.262		57.5	15.2	1.8	73.5	86.5
3080 30" diameter		80	.350		96.5	19.1	2.4	118.0	137
3090 36" diameter		80	.350		149	19.1	2.4	170.5	195
3100 42" diameter		60	.467		202	25.5	3.2	230.7	264
3200 48" diameter		60	.467		257	25.5	3.2	285.7	325
4520 Pressure pipe Class 150, SDR 18, AWWA C900, 4" diameter	B-20	380	.043		5.2	3.3		8.5	10.6
4530 6" diameter	"	316	.076		7.5	3.9		11.4	14.2
4540 8" diameter	B-21	264	.106		9.6	5.8	.73	16.1	20
4550 10" diameter		220	.127		13.0	6.9	.88	20.8	25.5
4560 12" diameter		186	.151		17.7	8.2	1.0	26.9	33
1000 Fittings with rubber gasket									
1003 Class 150, DR 18									
1006 90° bend, 4" diameter	B-20	100	.240	Eq.	57	12.6		69.6	82
1020 6" diameter	"	90	.267		102	14		116	133
1040 8" diameter	B-21	80	.350		197	19.1	2.4	218.5	247
1060 10" diameter		50	.560		385	30.5	3.8	419.3	470
1080 12" diameter		30	.933		570	51	6.4	627.4	710
100 Tee, 4" diameter		90	.311		165	16.9	2.1	184.0	210
1020 6" diameter		80	.350		269	19.1	2.4	290.5	325
1040 8" diameter		70	.400		490	22	2.7	514.7	575
1060 10" diameter		40	.700		1,450	38	4.8	1,492.8	1,650
1080 12" diameter		20	1.400		2,075	76.5	9.6	2,161.7	2,400
1045 45° bend, 4" diameter	B-20	100	.240		73	12.6		85.6	99.5
1060 6" diameter	"	90	.267		134	14		148	168
1080 8" diameter	B-21	50	.560		335	30.5	3.8	369.3	415
1100 10" diameter		50	.560		655	30.5	3.8	689.3	770

For customer support on your Heiner Contracts

G10 Site Preparation

G1030 Site Earthwork



Trenching Systems are shown on a cost per linear foot basis. The systems include: excavation; backfill and removal of spoil; and compaction for various depths and trench bottom widths. The backfill has been reduced to accommodate a pipe of suitable diameter and bedding.

The slope for trench sides varies from none to 1:1.

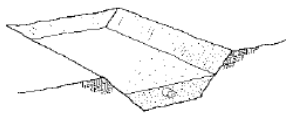
The Expanded System Listing shows Trenching Systems that range from 2' to 12' in width. Depths range from 2' to 25'

System Components	QUANTITY	UNIT	COST PER L.F.		
			EQUIP.	LABOR	TOTAL
SYSTEM G1030 805 1310					
TRENCHING, COMMON EARTH, NO SLOPE, 2' WIDE, 2' DP, 3/8 C.Y. BUCKET					
Excavation, trench, hyd. backhoe, track mtd., 3/8 C.Y. bucket	.148	C.Y.	.30	1.30	1.60
Backfill and load spoil, from stockpile	.153	L.C.Y.	.17	.39	.56
Compaction by vibrating plate, 6' lifts, 4 passes	.118	C.Y.	.13	.47	.60
Remove excess spoil, 8 C.Y. dump truck, 2 mile roundtrip	.040	L.C.Y.	.15	.22	.37
TOTAL			.75	2.38	3.13

G1030 805	Trenching Common Earth	COST PER L.F.		
		EQUIP.	LABOR	TOTAL
1310	Trenching, common earth, no slope, 2' wide, 2' deep, 3/8 C.Y. bucket	.75	2.38	3.13
1320	3' deep, 3/8 C.Y. bucket	1.09	3.58	4.67
1330	4' deep, 3/8 C.Y. bucket	1.43	4.77	6.20
1340	6' deep, 3/8 C.Y. bucket	2.08	6.20	8.28
1350	8' deep, 1/2 C.Y. bucket	2.80	8.20	11.00
1360	10' deep, 1 C.Y. bucket	5.25	9.80	15.05
1400	4' wide, 2' deep, 3/8 C.Y. bucket	1.64	4.75	6.39

G10 Site Preparation

G1030 Site Earthwork



The Pipe Bedding System is shown for various pipe diameters. Compacted bank sand is used for pipe bedding and to fill 12" over the pipe. No backfill is included. Various side slopes are shown to accommodate different soil conditions. Pipe sizes vary from 6" to 84" diameter.

System Components	QUANTITY	UNIT	COST PER L.F.		
			MAT.	INST.	TOTAL
SYSTEM G1030 815 1440					
PIPE BEDDING, SIDE SLOPE 0 TO 1, 1' WIDE, PIPE SIZE 6" DIAMETER					
Borrow, bank sand, 2 mile haul, machine spread	.086	C.Y.	1.30	.81	2.11
Compaction, vibrating plate	.086	C.Y.		.31	.31
TOTAL			1.30	1.12	2.42

G1030 815	Pipe Bedding	COST PER L.F.		
		MAT.	INST.	TOTAL
1440	Pipe bedding, side slope 0 to 1, 1' wide, pipe size 6" diameter	1.30	1.11	2.41
1460	2' wide, pipe size 8" diameter	2.81	2.40	5.21
1480	Pipe size 10" diameter	2.87	2.45	5.32



DUCTILE IRON PIPE
FABRICATED PIPE

Quality Products...Delivered on Time!
USP FAB DIP 2023-01

SIZE: 4 INCH

LEN.	FxF		FxPE		FxG		GxG		GxPE		PExPE		LEN.
	WT.	PRICE	WT.	PRICE	WT.	PRICE	WT.	PRICE	WT.	PRICE	WT.	PRICE	
1' 0"	38	\$636	26	\$ 382	26	\$ 513	14	\$ 442	14	\$ 311	14	\$ 180	1' 0"
1' 6"	45	\$706	33	\$ 452	33	\$ 583	21	\$ 512	21	\$ 381	21	\$ 250	1' 6"
2' 0"	52	\$776	40	\$ 522	40	\$ 653	28	\$ 582	28	\$ 451	28	\$ 320	2' 0"
2' 6"	59	\$846	47	\$ 592	47	\$ 723	35	\$ 652	35	\$ 521	35	\$ 390	2' 6"
3' 0"	65	\$916	53	\$ 662	53	\$ 793	41	\$ 722	41	\$ 591	41	\$ 460	3' 0"
3' 6"	72	\$986	60	\$ 732	60	\$ 863	48	\$ 792	48	\$ 661	48	\$ 530	3' 6"
4' 0"	79	\$1,056	67	\$ 802	67	\$ 933	55	\$ 862	55	\$ 731	55	\$ 600	4' 0"
4' 6"	86	\$1,126	74	\$ 872	74	\$ 1,003	62	\$ 932	62	\$ 801	62	\$ 670	4' 6"
5' 0"	93	\$1,196	81	\$ 942	81	\$ 1,073	69	\$ 1,002	69	\$ 871	69	\$ 740	5' 0"
5' 6"	100	\$1,266	88	\$ 1,012	88	\$ 1,143	76	\$ 1,072	76	\$ 941	76	\$ 810	5' 6"
6' 0"	107	\$1,336	95	\$ 1,082	95	\$ 1,213	83	\$ 1,142	83	\$ 1,011	83	\$ 880	6' 0"
6' 6"	114	\$1,406	102	\$ 1,152	102	\$ 1,283	90	\$ 1,212	90	\$ 1,081	90	\$ 950	6' 6"
7' 0"	121	\$1,476	109	\$ 1,222	109	\$ 1,353	97	\$ 1,282	97	\$ 1,151	97	\$ 1,020	7' 0"
7' 6"	128	\$1,546	116	\$ 1,292	116	\$ 1,423	104	\$ 1,352	104	\$ 1,221	104	\$ 1,090	7' 6"
8' 0"	134	\$1,616	122	\$ 1,362	122	\$ 1,493	110	\$ 1,422	110	\$ 1,291	110	\$ 1,160	8' 0"
8' 6"	141	\$1,686	129	\$ 1,432	129	\$ 1,563	117	\$ 1,492	117	\$ 1,361	117	\$ 1,230	8' 6"
9' 0"	148	\$1,756	136	\$ 1,502	136	\$ 1,633	124	\$ 1,562	124	\$ 1,431	124	\$ 1,300	9' 0"
9' 6"	155	\$1,826	143	\$ 1,572	143	\$ 1,703	131	\$ 1,632	131	\$ 1,501	131	\$ 1,370	9' 6"
10' 0"	162	\$1,896	150	\$ 1,642	150	\$ 1,773	138	\$ 1,702	138	\$ 1,571	138	\$ 1,440	10' 0"
10' 6"	169	\$1,966	157	\$ 1,712	157	\$ 1,843	145	\$ 1,772	145	\$ 1,641	145	\$ 1,510	10' 6"
11' 0"	176	\$2,036	164	\$ 1,782	164	\$ 1,913	152	\$ 1,842	152	\$ 1,711	152	\$ 1,580	11' 0"
11' 6"	183	\$2,106	171	\$ 1,852	171	\$ 1,983	159	\$ 1,912	159	\$ 1,781	159	\$ 1,650	11' 6"
12' 0"	190	\$2,176	178	\$ 1,922	178	\$ 2,053	166	\$ 1,982	166	\$ 1,851	166	\$ 1,720	12' 0"
12' 6"	197	\$2,246	185	\$ 1,992	185	\$ 2,123	173	\$ 2,052	173	\$ 1,921	173	\$ 1,790	12' 6"
13' 0"	203	\$2,316	191	\$ 2,062	191	\$ 2,193	179	\$ 2,122	179	\$ 1,991	179	\$ 1,860	13' 0"
13' 6"	210	\$2,386	198	\$ 2,132	198	\$ 2,263	186	\$ 2,192	186	\$ 2,061	186	\$ 1,930	13' 6"
14' 0"	217	\$2,456	205	\$ 2,202	205	\$ 2,333	193	\$ 2,262	193	\$ 2,131	193	\$ 2,000	14' 0"
14' 6"	224	\$2,526	212	\$ 2,272	212	\$ 2,403	200	\$ 2,332	200	\$ 2,201	200	\$ 2,070	14' 6"
15' 0"	231	\$2,596	219	\$ 2,342	219	\$ 2,473	207	\$ 2,402	207	\$ 2,271	207	\$ 2,140	15' 0"
15' 6"	238	\$2,666	226	\$ 2,412	226	\$ 2,543	214	\$ 2,472	214	\$ 2,341	214	\$ 2,210	15' 6"
16' 0"	245	\$2,736	233	\$ 2,482	233	\$ 2,613	221	\$ 2,542	221	\$ 2,411	221	\$ 2,280	16' 0"
16' 6"	252	\$2,806	240	\$ 2,552	240	\$ 2,683	228	\$ 2,612	228	\$ 2,481	228	\$ 2,350	16' 6"
17' 0"	259	\$2,876	247	\$ 2,622	247	\$ 2,753	235	\$ 2,682	235	\$ 2,551	235	\$ 2,420	17' 0"
17' 6"	266	\$2,946	254	\$ 2,692	254	\$ 2,823	242	\$ 2,752	242	\$ 2,621	242	\$ 2,490	17' 6"
± 18' 0"	272	\$3,016	260	\$ 2,762	260	\$ 2,893	248	\$ 2,822	248	\$ 2,691	248	\$ 2,560	± 18' 0"
± 18' 6"	279	\$3,086	267	\$ 2,832	267	\$ 2,963	255	\$ 2,892	255	\$ 2,761	255	\$ 2,630	± 18' 6"
± 19' 0"	286	\$3,156	274	\$ 2,902	274	\$ 3,033	262	\$ 2,962	262	\$ 2,831	262	\$ 2,700	± 19' 0"
± 19' 6"	293	\$3,226	281	\$ 2,972	281	\$ 3,103	269	\$ 3,032	269	\$ 2,901	269	\$ 2,770	± 19' 6"
± 20' 0"	300	\$3,296	288	\$ 3,042	288	\$ 3,173	276	\$ 3,102	276	\$ 2,971	276	\$ 2,840	± 20' 0"

± SUBJECT TO AVAILABILITY

ADD - ONS

4" Cement Lined



DUCTILE IRON PIPE
FABRICATED PIPE

Quality Products...Delivered on Time!
USP FAB DIP 2023-01

SIZE: 6 INCH

LEN.	FxF		FxEPE		FxFG		GxG		GxEPE		PEEPE		LEN.
	WT.	PRICE	WT.	PRICE	WT.	PRICE	WT.	PRICE	WT.	PRICE	WT.	PRICE	
1' 0"	55	\$799	38	\$ 472	38	\$ 627	21	\$ 528	21	\$ 373	21	\$ 218	1' 0"
1' 6"	66	\$883	49	\$ 556	49	\$ 711	32	\$ 612	32	\$ 457	32	\$ 302	1' 6"
2' 0"	77	\$967	60	\$ 640	60	\$ 795	43	\$ 696	43	\$ 541	43	\$ 386	2' 0"
2' 6"	88	\$1,051	71	\$ 724	71	\$ 879	54	\$ 780	54	\$ 625	54	\$ 470	2' 6"
3' 0"	98	\$1,135	81	\$ 808	81	\$ 963	64	\$ 864	64	\$ 709	64	\$ 554	3' 0"
3' 6"	109	\$1,219	92	\$ 892	92	\$ 1,047	75	\$ 948	75	\$ 793	75	\$ 638	3' 6"
4' 0"	120	\$1,303	103	\$ 976	103	\$ 1,131	86	\$ 1,032	86	\$ 877	86	\$ 722	4' 0"
4' 6"	130	\$1,387	113	\$ 1,060	113	\$ 1,215	96	\$ 1,116	96	\$ 961	96	\$ 806	4' 6"
5' 0"	141	\$1,471	124	\$ 1,144	124	\$ 1,299	107	\$ 1,200	107	\$ 1,045	107	\$ 890	5' 0"
5' 6"	152	\$1,555	135	\$ 1,228	135	\$ 1,383	118	\$ 1,284	118	\$ 1,129	118	\$ 974	5' 6"
6' 0"	162	\$1,639	145	\$ 1,312	145	\$ 1,467	128	\$ 1,368	128	\$ 1,213	128	\$ 1,058	6' 0"
6' 6"	173	\$1,723	156	\$ 1,396	156	\$ 1,551	139	\$ 1,452	139	\$ 1,297	139	\$ 1,142	6' 6"
7' 0"	184	\$1,807	167	\$ 1,480	167	\$ 1,635	150	\$ 1,536	150	\$ 1,381	150	\$ 1,226	7' 0"
7' 6"	195	\$1,891	178	\$ 1,564	178	\$ 1,719	161	\$ 1,620	161	\$ 1,465	161	\$ 1,310	7' 6"
8' 0"	205	\$1,975	188	\$ 1,648	188	\$ 1,803	171	\$ 1,704	171	\$ 1,549	171	\$ 1,394	8' 0"
8' 6"	216	\$2,059	199	\$ 1,732	199	\$ 1,887	182	\$ 1,788	182	\$ 1,633	182	\$ 1,478	8' 6"
9' 0"	227	\$2,143	210	\$ 1,816	210	\$ 1,971	193	\$ 1,872	193	\$ 1,717	193	\$ 1,562	9' 0"
9' 6"	237	\$2,227	220	\$ 1,900	220	\$ 2,055	203	\$ 1,956	203	\$ 1,801	203	\$ 1,646	9' 6"
10' 0"	248	\$2,311	231	\$ 1,984	231	\$ 2,139	214	\$ 2,040	214	\$ 1,885	214	\$ 1,730	10' 0"
10' 6"	259	\$2,395	242	\$ 2,068	242	\$ 2,223	225	\$ 2,124	225	\$ 1,969	225	\$ 1,814	10' 6"
11' 0"	269	\$2,479	252	\$ 2,152	252	\$ 2,307	235	\$ 2,208	235	\$ 2,053	235	\$ 1,898	11' 0"
11' 6"	280	\$2,563	263	\$ 2,236	263	\$ 2,391	246	\$ 2,292	246	\$ 2,137	246	\$ 1,982	11' 6"
12' 0"	291	\$2,647	274	\$ 2,320	274	\$ 2,475	257	\$ 2,376	257	\$ 2,221	257	\$ 2,066	12' 0"
12' 6"	302	\$2,731	285	\$ 2,404	285	\$ 2,559	268	\$ 2,460	268	\$ 2,305	268	\$ 2,150	12' 6"
13' 0"	312	\$2,815	295	\$ 2,488	295	\$ 2,643	278	\$ 2,544	278	\$ 2,389	278	\$ 2,234	13' 0"
13' 6"	323	\$2,899	306	\$ 2,572	306	\$ 2,727	289	\$ 2,628	289	\$ 2,473	289	\$ 2,318	13' 6"
14' 0"	334	\$2,983	317	\$ 2,656	317	\$ 2,811	300	\$ 2,712	300	\$ 2,557	300	\$ 2,402	14' 0"
14' 6"	344	\$3,067	327	\$ 2,740	327	\$ 2,895	310	\$ 2,796	310	\$ 2,641	310	\$ 2,486	14' 6"
15' 0"	355	\$3,151	338	\$ 2,824	338	\$ 2,979	321	\$ 2,880	321	\$ 2,725	321	\$ 2,570	15' 0"
15' 6"	366	\$3,235	349	\$ 2,908	349	\$ 3,063	332	\$ 2,964	332	\$ 2,809	332	\$ 2,654	15' 6"
16' 0"	376	\$3,319	359	\$ 2,992	359	\$ 3,147	342	\$ 3,048	342	\$ 2,893	342	\$ 2,738	16' 0"
16' 6"	387	\$3,403	370	\$ 3,076	370	\$ 3,231	353	\$ 3,132	353	\$ 2,977	353	\$ 2,822	16' 6"
17' 0"	398	\$3,487	381	\$ 3,160	381	\$ 3,315	364	\$ 3,216	364	\$ 3,061	364	\$ 2,906	17' 0"
17' 6"	409	\$3,571	392	\$ 3,244	392	\$ 3,399	375	\$ 3,300	375	\$ 3,145	375	\$ 2,990	17' 6"
18' 0"	419	\$3,655	402	\$ 3,328	402	\$ 3,483	385	\$ 3,384	385	\$ 3,229	385	\$ 3,074	18' 0"
18' 6"	430	\$3,739	413	\$ 3,412	413	\$ 3,567	396	\$ 3,468	396	\$ 3,313	396	\$ 3,158	18' 6"
19' 0"	441	\$3,823	424	\$ 3,496	424	\$ 3,651	407	\$ 3,552	407	\$ 3,397	407	\$ 3,242	19' 0"
19' 6"	451	\$3,907	434	\$ 3,580	434	\$ 3,735	417	\$ 3,636	417	\$ 3,481	417	\$ 3,326	19' 6"
20' 0"	462	\$3,991	445	\$ 3,664	445	\$ 3,819	428	\$ 3,720	428	\$ 3,565	428	\$ 3,410	20' 0"

‡ SUBJECT TO AVAILABILITY

ADD - ONS

6" Cement Lined

1.q Service Laterals

Source: Per California American Water, 1-inch service connections are \$2500 each. Linear interpolation was used to estimate other service later connection size costs up to 2-inches. Service laterals for 2-inch and higher were assumed to be the same cost as a 2-inch connection.

1.r Water Meters

Source: California American Water. Cost for 3-inch and 4-inch diameter meters based upon \$141/inch cost added to meters 2-inch and above.

Size Group	2022 Price
5/8	\$ 85.94
3/4	\$ 109.15
3/4	\$ 109.15
1	\$ 154.60
1.5	\$ 353.18
2	\$ 494.70

1.s Fire Hydrants

Source: Recent Bid Tab, see below.

-(SUGGESTED FORMAT FOR UNIT PRICE BID)

Item No.	Description	Unit	Estimated Quantity	Bid Unit Price	Bid Price
1	6" Gate Valves (MxM)	EA	5	\$170.00	\$850.00
2	Meters, including meter box, PRV, excavation, backfill and appurtenances	EA	45	\$1290.00	\$58,050
3	Water Service Laterals, including excavation, backfill, pavement replacement and including appurtenances	EA	45	\$2200.00	\$99,000
Norton Way Watermain Bid Items (below) must meet AIS Requirements					
4	6-inch watermain including all fittings, restraints, excavation and backfill, encasement, and appurtenances" P.V.C.	LF	533	\$64.00	\$34,112.00
5	6-inch gate valve, fire hydrant and all appurtenances Concrete Encasement	LF EA	281	\$6700.00	\$1,881,700.00
6	6" 11.25" Bend (MxM) 4-inch hot tap and gate valve and all appurtenances	EA	21	\$4500.00	\$94,500.00
7	Pavement Replacement	SF	1,485	\$8.00	\$11,880.00
8	Permits, including SWPPP, Traffic Control Plan and Permit Fees	LS	1	\$10,000.00	\$10,000.00
Total of All Unit Price Bid Items					\$ 732,742.00

Bidder acknowledges that (1) each Bid Unit Price includes an amount considered by Bidder to be

1t. Land Costs

Based on real estate comps in the area, a local realtor provided estimates:

From: stephen.sbplanning@gmail.com
To: [Teresa A. Valentine; Thomas Brunet@amwater.com](mailto:Teresa.A.Valentine;Thomas.Brunet@amwater.com)
Cc: stephen.sbplanning@gmail.com; sbabcock@kw.com
Subject: Comps for West San Martin comps
Date: Monday, February 13, 2023 10:11:29 AM
Attachments: [Agent 1 Line.cma.csv](#)

Teresa, Thomas

I found some properties that have sold near west San Martin. 779-10-028 is a about 8,500 sf and 79-10-011 is about 5,500 sf. After doing my comps I think apn 779-10-028 could be worth between \$400,000- \$450,000. Apn 779-10-011 is worth between \$375,000 and \$425,000. I hope this helps. Kristin can give you an exact appraisal.

Best regards

Stephen Babcock

Developer/Project Manager

Realtor DRE #01941032

Attachment 2

Site Pictures

Well 1



Well 1 Continued



Colony Well



Colony Well, continued



Colony Well, continued



County Building Well



County Building Well, continued



County Building Well, continued



Big Tank



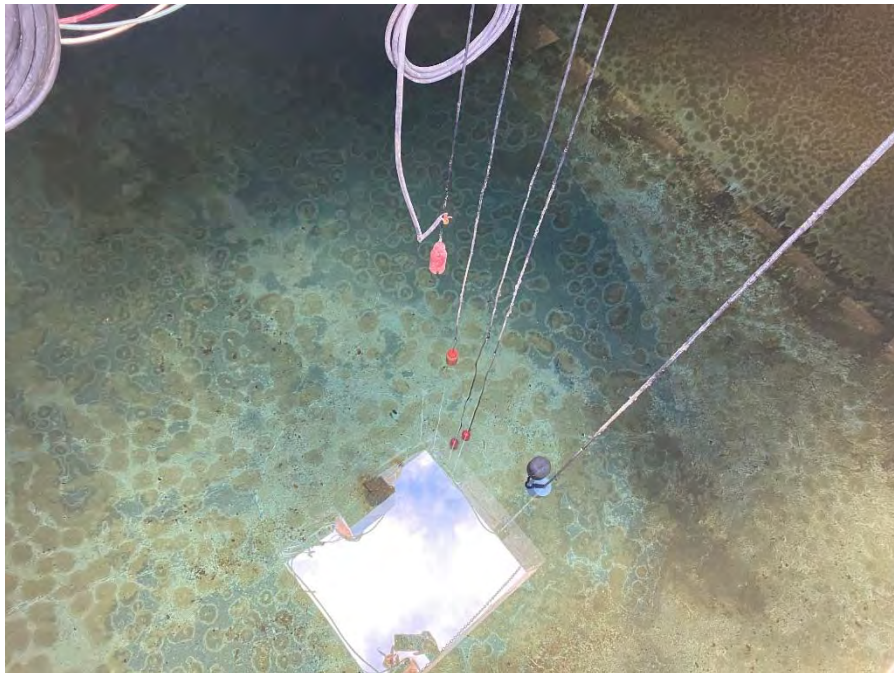
Big Tank, Continued



Tank 1



Tank 1, continued



Booster Pump Station 1



Booster Pump Station 1, continued



Booster Pump Station 1, continued



Tank 2 and Booster Pump Station 2



Tank 2 and Booster Pump Station, continued



Tank 2 and Booster Pump Station, continued



Tank 3



Tank 3, continued





MDR Response Attachment 17

DRAFT

CONFIDENTIAL

November 6, 2018

Mr. Robert Ukestad, President
West San Martin Water Company
1005 Highland Avenue
San Martin, California 95046

Subject: An Opinion of Fair Market Value of the West San Martin Water Company

Dear Mr. Ukestad:

In accordance with the agreement between your company and myself, I have made a review and analysis of data supporting an opinion of fair market value of the West San Martin Water Company (WSMWC). It is my understanding that this valuation analysis may be used in negotiations for potential sale of the company. Attachment A contains my resume and qualifications presenting my competency to perform this appraisal.

As used in this letter, fair market value is defined as the highest price in terms of money which a water system would bring if exposed for sale on the open market, by a seller who is willing but not under compulsion to sell, with a reasonable time allowed to find a buyer who is willing but not obligated to buy, with both parties having full knowledge of the uses, purposes and limitations of the property involved. Based upon my investigation of the WSMWC, it is my opinion that the fair market value of this water company, as of December 31, 2017, is \$1,360,000 if sold to a Class A utility purchaser (see the last section

on Opinion of Value for estimates of likely sales prices for other classes of buyers). The following sections discuss in greater detail the basis for this opinion.

This opinion of WSMWC's value assumes the market value of the utility plant assets, easements, business franchise rights, going concern value, and materials and supplies. However, the opinion does not include working funds, current and accrued assets, and any other investment and fund accounts of the WSMWC. Further, current and accrued liabilities, deferred revenues and long-term liabilities are not included. In summary, the opinion of value considers all assets, liabilities and operating rights of the WSMWC used in its water system operations, and not related current assets and liabilities that would be transferred in a sale.

DATE OF VALUE

The opinion of fair market value expressed in this report is based upon a date of valuation of December 31, 2017, i.e., the facilities and intangible assets being valued are those which existed as of December 31, 2017. This date was chosen because of the availability of financial statements plus asset records. It is believed that the asset value of the system as of the date of this letter would not be significantly different than the value expressed herein as of December 31, 2017.

SCOPE OF INVESTIGATION

Studies and preparation undertaken in connection with this appraisal include the following:

1. Review of the historic accounting records (from December 31, 1981 through December 31, 2017) representing annual plant asset additions and retirements, income and expense data, and other relevant financial records

provided by the company (selected balance sheets from the 1970s); and the most recent rate resolution (W-4905) issued by the PUC.

2. Review of WSMWC Annual Reports to the State Water Resources Control Board (SWRCB) for years 2009 through 2017 as submitted by utility; Consumer Confidence Reports to customers prepared by the company for years 2013 through 2017; SWRCB permit engineering reports (February 2008 and April 2015); selected tank inspection and other asset reports; recent water quality data and an interview of Mr. Brian Ukestad, system operator, in order to gain an understanding on the current status of company operations, water quality and resources, system condition, ratepayer satisfaction and growth, and related issues.
3. Field visit to the service area of WSMWC in order to view aboveground system components and service area characteristics with assistance from Mr. Robert Ukestad, utility owner.
4. A review of regulatory files in the field offices of the SWRCB located in Richmond, including interviews with Eric Lacey and Samantha Mak, regulatory personnel
5. Estimation of the rate base that would be expected to be allowed by the California Public Utilities Commission (PUC) in determining the amount of investment returns which would be allowed on these facilities under private ownership.
6. Performance of a capitalization of earnings study for alternative purchasers subject to PUC regulation.
7. Investigation of sales of those systems identified to be comparable to this system, including a review of data and proceeding records contained in the files of the PUC for selected sales.
8. Derivation of the reproduction cost new less depreciation (RCNLD) estimate for the water system assets utilizing company asset records; escalation by use of either the Handy-Whitman Index of Municipal Water

System Construction, or US Department of Labor Consumer or Producer Price Indexes; and anticipated depreciation accruals based on experience obtained by me in preparing many RCNLD studies of similar properties.

QUALIFYING CONDITIONS

The opinion of value expressed in this letter is subject to the following qualifying conditions:

1. The valuation assumes good and clear title to the property and facilities being valued. Further, it is assumed that a purchase of the system would be on an all-cash basis.
2. The facilities included in the appraisal are dedicated to the provision of water service to WSMWC ratepayers, and their acquisition by a regulated purchaser (other than a public agency or mutual water company) would be under the regulatory jurisdiction of the California PUC. It is also assumed that a purchaser; either a public agency, mutual water company or private investor, would be able to obtain a permit from the SWRCB in order to operate the water system.
3. The estimated fair market value of the WSMWC expressed in this report is based on a projected net income through the ROM (return to margin) PUC regulatory approach. In view of the last rate proceeding processed in 2012, the utility may be required to undertake a current rate proceeding to establish the potential net revenues envisioned in this appraisal analysis.
4. The information and data reported in connection with this appraisal have been obtained from sources which are deemed reliable and, after review, are believed to be substantially correct.
5. The appraiser has no present or prospective direct or indirect financial interest connected with any of the parties involved with this utility, and his employment in preparing this appraisal report is not in any manner

contingent on finding of any specified or implied values, or otherwise contingent on anything other than the preparation of this opinion.

METHODS OF APPRAISAL

The methods of valuation considered in the formation of the opinion of fair market value of WSMWC included capitalization of earnings (income approach), reproduction cost new less depreciation (cost approach), and comparable sales (market approach).

DESCRIPTION OF SYSTEM

The WSMWC serves approximately 304 metered customers in a contiguous service area located in San Martin, an unincorporated area of southern Santa Clara County, near Morgan Hill, California. Most are residential customers with mainly ¾-inch to 1-inch services. There are also a small number of commercial, industrial and agricultural users with up to 4-inch services. Service was began to a small customer base in the early 1960s. The WSMWC was given a PUC operating certificate in 1963.

Water is produced from three wells with capacities from 300 to 400 gallons per minute. The service area has three pressure zones served by well delivery and two booster stations. Storage is provided by three 50,000 gallon concrete reservoirs (all constructed in 1981) and one 400,000 gallon concrete tank (constructed in 2001). Tank inspection reports indicate all tanks are in good condition. A field visit to aboveground facilities (well sites, booster stations and tanks) show the system is well maintained and in good condition. The PUC concluded the system meets all of its general order No. 103 operating requirements. A meeting was conducted in the offices of the SWRCB in Richmond to review regulatory files and interview supervisory personnel. The opinion of the staff was that WSMWC was well operated and maintained.

The utility reports it contains approximately 92,000 feet of distribution mains (mainly C-900 plastic and asbestos cement), of which an estimated 3,000 feet is 2 to 4 inches in diameter (mainly polyvinyl chloride); about 20,000 feet of 6-inch; approximately 50,500 feet of 8-inch; over 13,000 feet of 10-inch; and about 5,600 feet of 12-inch. The system also has 129 hydrants of various brands (most common Clow 960).

The system has experienced a low number of operating problems during the last four years (2014 through 2017). Only one main break annually and two outages (main repair and booster pump failure) have occurred during the period. Complaints likewise have been minimal over this same time period with none in 2014 and one in 2015; but with 3 to 4 pressure complaints in 2016 and 2017, plus 6 to 12 complaints for the same two years primarily related to leaks and the above mentioned outages. The 2014 SWRCB inspection report notes that the system was well maintained and operated by knowledgeable staff.

Recent water quality test data (November 2015 through mid-2018) for all three well sources show excellent water quality with total dissolved solids of 320 milligrams per liter (mg/l) or less, about 250 mg/l hardness (as calcium carbonate) or less, and 7.7 or lower mg/l total nitrates (as N). Other inorganic and organic test results were also very low or non-detected in comparison to standards. Pressure zones 2 and 3 are treated with chlorination (sodium hypochlorite). Historically, two of the system's wells were treated with ion exchange for the removal of perchlorate contamination. Treatment costs were underwritten by Olin Corporation, the identified responsible party. Declining levels to below the drinking water standard in the raw groundwater source resulted in approval by the SWRCB several years ago to suspend treatment. Infrastructure is still in place should treatment be needed again in the future. Lead and copper levels are well within standards.

WSMWC has no adjudicated groundwater rights (although the basin is managed by the Santa Clara Water District). No incremental or separate value was identified attached to any claimed water rights. A knowledgeable buyer would be aware that the PUC would not approve the severing or marketing of

any water rights for the utility in view of their dedication to the public utility use.

Historic growth over recent years has been minimal. At the end of 2010, the system served a reported 297 metered connections; at the end of 2017 its customer base had grown to 305, an increase of only 8 connections in 7 years, or about 1 per year. Future growth within the WSMWC service area is also considered to be minimal with identified potential residential and commercial developments totaling on the order of 20 connections. However, a substantial water sales increase is potential for wholesale service to the adjacent water company service area of Twin Valley (TV), a system of about 95 connections, which has severe water quality and supply problems.

The latter potential expansion of wholesale water sales has been taken into account in arriving at an opinion of value expressed in this report. It is unlikely that a potential buyer of WSMWC would pay a significant incremental premium from this potential alone for the following reasons:

1. A source capacity analysis performed in 2018 on behalf of the court-appointed receiver presented other potential alternatives for additional source capacity and treatment including blending, construction of new wells, and use of either reverse osmosis or ultrafiltration. A connection to WSMWC was considered to be the best and most cost effective alternative. However, at this time an increase in wholesale sales is considered tentative. A subsequent owner of the system, including a possible newly formed mutual water company owned by the ratepayers may not want to be dependent on an outside utility for its water source.
2. The cost of connection would be borne by TV and not result in an increase in the rate base of WSMWC. Any increase in water sales and associated revenues would not result in a long-term increase in rate of return for the WSMWC. The PUC would adjust rates downward to offset increased net income. A knowledgeable buyer would know that the PUC has acted on its own initiative in the past in cases where a

utility is earning substantially greater than its last authorized rate of return.

3. This appraisal analysis reaches an opinion of value which reflects a sale price premium substantially above the imputed potential rate base (which takes into account all positive and negative characteristics of the system including potential growth). Paying an even greater premium than reached would have an adverse effect on subsequent rates which could result in the PUC disapproving the proposed sale.

UTILITY REGULATION

The primary regulatory agency that exerts jurisdiction over the WSMWC system operations is the SWRCB. Also essential to consider in this valuation as a regulatory agency is the California Public Utilities Commission (PUC) which exerts regulation over rates and potential purchasers of the WSMWC.

CALIFORNIA PUBLIC UTILITIES COMMISSION (PUC)

The California PUC has jurisdiction over privately owned water utilities in the state including regulation of rates, financial practices and operating adequacy. As indicated above, WSMWC is under the jurisdiction of the PUC. PUC policy regarding the acquisition of water systems by regulated investor owned water companies has to be taken into account when considering the potential fair market value of the WSMWC. Relevant PUC policy is discussed below.

STATE WATER RESOURCES CONTROL BOARD (SWRCB)

The WSMWC system is under the regulatory jurisdiction of the Richmond office of the State Water Resources Control Board, Office of Drinking Water. A visit to the SWRCB offices was made in order to interview regulatory personnel and review regulatory files.

CAPITALIZATION OF EARNINGS

An indication of the value of the WSMWC system sold to a regulated investor can also be developed through the capitalization of earnings approach. The operations of a water utility in California including earnings (if not a mutual water company or in the possession of a public agency), are required to be regulated by the California PUC if charges are applied to water deliveries. The WSMWC system, currently under PUC jurisdiction, would continue to be regulated by the PUC if the system were sold to a private investor. Under the policies of the PUC, the earnings are designed to yield a fair rate of return on the capital invested by the owners of the utility. This invested capital is referred to as rate base.

RELATIONSHIP BETWEEN RATE BASE AND CAPITALIZED EARNINGS VALUE

The earnings allowed can be expected to be established at levels which will yield a rate of return on capital invested by the owners of the utility sufficient to attract capital considering other investment opportunities. Assuming that earnings are maintained by rate adjustments when necessary, then capitalization of these earnings (at a capitalization rate equal to the fair rate of return allowed by the PUC) would by definition result in a number equal to the rate base. This is demonstrated by the following example (with the specific figures in the example being for illustrative purposes only and assuming 100 percent equity):

Rate Base = \$150,000

Rate of Return allowed by PUC = 10%

Then the PUC will allow water rates sufficient to produce net revenues which will provide (after general and administrative costs, operating expenses, taxes and depreciation) an annual income of:

$0.10 \times \$150,000 = \$15,000$ per year

The amount which a purchaser would be willing to pay for a system which would produce a net income of \$15,000 per year, if the purchaser were willing to accept a 10 percent return on his investment, would be:

$$\frac{\$15,000}{0.10} = \$150,000$$

This is equivalent to the rate base.

It should be noted that although the rate base and the capitalized earnings value are the same numbers, conceptually they are different values.

To the extent that the PUC allows a fair rate of return on the rate base higher than a rate of return demanded by an investor considering other potential investments, or to the extent that growth pressures or other factors enhance the expectation of future earnings, the purchaser could be expected to be willing to pay a premium over the rate base. Alternatively, if expected earnings in the estimation of the buyer are lower than required considering other potential investments, then the price paid by the buyer could be expected to include a discount from the rate base (in the case of a stock purchase).

ESTIMATED RATE BASE

The operations of an investor owned water utility in California including earnings are required to be regulated by the California PUC if charges are applied to water deliveries. The WSMWC system is currently under PUC jurisdiction in view of its operation as an investor-owned water company. Under the policies of the PUC, a utility's earnings are designed to yield a fair rate of return on the capital invested in the facilities by the owners of the utility. This invested capital is referred to as rate base.

The rate base which may be expected to be allowed for facilities owned by an investor-owned utility by the PUC is normally made up of the following elements:

1. The historic capital costs of the facilities comprising the utility plant which remain in service;

2. A deduction for the accumulated depreciation applicable to the foregoing facilities computed in accordance with the policies of the PUC;
3. Deductions for that portion of the utility plant financed by means other than investment by the utility owner. These deductions include contributions in aid of construction, or "CIAC" (on the basis of the depreciated value of the facilities represented by these contributions) and unreimbursed advances for construction remaining on the books at the time of computation of the rate base;
4. Deductions for any portions of the depreciated costs which represent an imprudent expenditure of funds, including money used for facilities not used or useful in supplying the water system demands or for over design of the system;
5. Allowances for working cash and for materials and supplies;
6. An allowance for the given rate making unit's pro rata share of common plant (such as a utility's general offices) in the case of larger water companies owning multiple water systems.

Several of the above items, including investment by others and common plant, although they would typically make up a part of the rate base, do not relate to the property being valued in this report.

ESTIMATED EXISTING RATE BASE OF WSMWC WATER SYSTEM

In order to perform a comparable sales analysis for the WSMWC system potentially to be acquired by a purchaser under the regulation of the PUC, it was necessary to first establish an estimated current rate base for the system facilities potentially to be purchased at the date of value (December 31, 2017). Table 1 presents my assessment of the potential utility plant component of rate base (representing that portion of the rate base being considered for sale) in the amount of \$216,656 for the water system facilities as of December 31, 2017. The basis for this rate base estimate is the utility account balances reported in the WSMWC 2017 Annual Report to the PUC. It should be noted that the current

Robert Ukestad
November 6, 2018
Page 12

rate base for WSMWC based on Resolution W-4905 is \$42,200 for test year 2011. A new rate proceeding (or advice letter rate base offset) would have to be processed in order to obtain PUC recognition of the Table 1 estimated rate base as of the date of value. However, it is prospective current rate base that a buyer would take into account in determining value of the system.

Theoretically, a large Class A or B regulated utility buyer (over 10,000 and between 2,000 and 10,000 connections, respectively) could request from the PUC a stepped up rate base based on a purchase price above the existing rate base in accordance with PUC policy. This possibility is discussed below following the presentation of recent comparable sales.

TABLE 1		
POTENTIAL ESTIMATED UTILITY PLANT COMPONENT OF RATE BASE WEST SAN MARTIN WATER COMPANY		
DECEMBER 31, 2017		
Account No.	Description	Amount
301	Intangible Plant	\$4,272
303	Land	4,030
304	Structures	10,569
307	Wells	159,067
311	Pumping Equipment	179,389
320	Water Treatment Plant	1,435
330	Reservoirs	161,761
331	Water Mains	1,463,981
333	Services	76,879
334	Meters	68,713
335	Hydrants	37,432
339	Other Equipment	79,511
340	Furniture & Office Equipment	11,879
341	Transportation Equipment	13,606
114	Water Plant Acquisition Adjustment	7,986
	Subtotal, Utility Plant in Service	\$2,280,510
108	Depreciation Reserve	<u>(1,433,854)</u>
	Subtotal, Depreciated Utility Plant	\$846,656
151	Plus, Materials and Supplies	7,607
114	Less, Plant Acquisition Adjustment	(7,986)
252	Less, Advances for Construction	(151,468)
271	Less, Contributions in Aid Construction	<u>(478,153)</u>
	Utility Plant Component of Rate Base	\$216,656

RATE OF RETURN

As stated above, for regulated investor owned water utilities, the PUC will authorize rates sufficient to generate earnings in order to attract investment and finance capital considering other market opportunities are competing for capital. Earnings are measured as a rate of return both to the utility investment overall and specifically to the equity shareholders. The shareholders obtain a higher rate of return than debt holders as a result of financial leverage through the use of lower cost borrowed capital to make up a significant portion of the utility's capitalization. The authorized rate of return varies between utilities based on current economic conditions, the historic embedded cost of debt financing, and a judgement on the shareholder's risk for a particular utility based on a variety of factors.

It is not possible at this time to project with certainty a rate of return on overall rate base for a potential purchaser of the WSMWC system without knowing specifically the identity of the buyer. However, Table 3 presents recent annual returns awarded by the California PUC both on common equity and overall return to rate base to several large California water utilities which are potential purchasers of small water systems in the state. As shown, equity returns for five of the large utilities for 2018 average at a level of 9.20 percent. In order to provide these levels of return to shareholders through financial leverage, it is estimated by the PUC staff that the overall rate of return would vary between about 7.5 to 9.1 percent, with an average overall rate of return of about 8.0 percent. For the capitalization analysis performed in this report for large Class A utilities, it is assumed an overall prospective rate of return of 7.7 percent is appropriate.

TABLE 3			
RECENT PUC AUTHORIZED RATES OF RETURN FOR MAJOR CALIFORNIA WATER UTILITIES			
Utility	S & P Bond Rating	Return on Rate Base	Return on Common Eq.
California American Water Co.	NA	7.61%	9.20%
California Water Service Co.	AA-	7.48%	9.20%
San Jose Water Works	NA	7.64%	8.90%
Golden State Water Co.	A+	7.91%	8.90%
Great Oaks Water Company		9.10%	9.79%
Average		7.97%	9.20%

For a Class B buyer, the prospective overall rate of return, based on recent rate cases averages 10.07 percent with a range of from 10.06 to 11.06 percent. For a potential purchaser of this size, it is deemed reasonable to use a capitalization rate of return of 10.10 percent. For a Class C buyer, or a small investor buying the WSMWC as a standalone system retaining the Class D status, the anticipated rate of return to rate base ranges from 10.56 to 11.56 percent. It is considered reasonable to estimate a rate of return to rate base of 11.00 required for a Class D owner.

WSMWC is a Class D utility with the last general rate case occurring in 2012 when an ROM (Return on Margin- a return to the total of operating expenses, depreciation and taxes other than income) was authorized of 24.89 percent, the PUC staff recommended level for a Class D utility setting rates based on this approach. In view of the low rate base in the 2012 rate proceeding, WSMWC was authorized an alternative rate increase according to PUC policy based on a return to margin. The PUC is mandated to adopt whichever approach, return of rate base or ROM produces the greater net income. For 2018, the prospective ROM for a Class D system is 24.00 percent.

PROJECTED EARNINGS AND IMPUTED RATE BASE

For a utility such as WSMWC having a low rate base, and eligible for net income based on a ROM, net revenues can be capitalized using an appropriate rate of return to rate base to derive an imputed rate base. In order to make this calculation, projected net income based on a forthcoming rate proceeding by either the buyer or seller needs to first be estimated based on recent utility operating experience. Attachment B contains estimated total expenses of operating expenses, taxes other than income and depreciation based on the last three years of PUC annual reports. The estimated projected total of \$436,831 can then be multiplied by the recommended ROM of 24.00 percent to yield an expected net revenue of \$104,839. Capitalizing this revenue stream by 11.00 percent indicates an imputed rate base as a Class D utility of \$953,082.

CAPITALIZED EARNINGS VALUE

It is my opinion that the anticipated rate of return which would be expected to be allowed by the PUC on a comparable Class D utility investment is a reasonable rate at which to capitalize earnings. At an 11.00 percent rate of return on the potential revenue stream anticipated as developed through an ROM approach above by a small buyer of the WSMWC system, the earnings that would be about \$104,800 per year. Capitalization of this amount at a capitalization rate of 11.0 percent would indicate a potential sales price of approximately \$953,000. Consequently, the capitalization of earnings approach for a small buyer retaining the status of a Class D utility indicates a potential price for the WSMWC system essentially equivalent to the anticipated imputed rate base component of the facilities being valued, or \$953,000.

For a Class B buyer, anticipating a rate of return of 10.1 percent, assuming no rate increase over a Class D utility operation, the capitalized earnings value would increase to about \$1,038,000. Finally, if a Class A utility purchaser acquired WSMWC requiring a 7.7 rate of return, and keeping the prospective revenues at the same level, the capitalized earnings level would be approximately \$1,361,500. However, if the Class A utility buyer required a rate

of return of 9.0 percent this amount would decrease to \$1,164,000. It should be pointed out that in the alternative case of either a Class A or B buyer acquiring WSMWC, both have the ability to potentially escalate the rate base by paying a greater amount than the current rate base as indicated above in Table 1. However, a Class D or C buyer do not have this regulatory ability and could only pay an amount greater than the current rate base by acquiring the stock of the utility rather than the assets alone.

COMPARABLE SALES

A comparable sale is a sale of property, the price of which will shed light on the value of the property being appraised. Based on my many decades of knowledge and experience gained in appraising water utility facilities, it can be stated generally that market sales of water systems follow the same economic principles of supply and demand as other market transactions and provide a basis for making a prediction of the fair market value of water system facilities being valued. In appraisal practice there are several characteristics of a transaction which are typically considered in evaluating whether a transaction is a "comparable sale".

CHARACTERISTICS OF COMPARABLE SALES

Among the characteristics considered for selecting comparable sales are:

- The character and use of the property in relation to that being appraised;
- The size of the property involved in the particular transaction in relation to the size of that being appraised;
- The geographic proximity of the property to that being appraised; and
- The date of the transaction in relation to the date of value for the property being appraised.

All of the sales that I consider as being comparable are sales of water system facilities which following sale were under the regulatory jurisdiction of the PUC. All of the utility properties sold deliver water for domestic and associated commercial use through distribution systems consisting of pipelines and appurtenant equipment. After sale, the facilities were all governed by the rules of the PUC. Most importantly, the rate setting procedures and the determination of return on invested capital would be similar for all of these properties for the purchasers. Consequently, I concluded that for all of the sales I have considered, the character and use of the property following sale are sufficiently similar to that of the property being appraised that the sales can be considered as comparable.

From the standpoint of size, adjustments have been made for the differences between various sales by expressing the sales price as a percentage of rate base, rather than making a comparison of actual dollar amounts paid. Further, only sales of facilities having rate bases of sufficient magnitude, but not excessively large, were considered. For this appraisal, a sale range was considered for utilities having rate bases in the range of approximately \$216,000 to \$962,000. The same buyers involved in the sales utilized as comparable are also likely purchasers of WSMWC. Hence, it is considered that from the standpoint of size, the sales I have utilized are comparable.

All of the comparable sales considered are utilities within the State of California and following sale were under the regulatory jurisdiction of the PUC. The PUC utilizes the same procedures and criteria for setting rates and for determination of allowable rates of return throughout the state. Accordingly, any sale taking place within the State of California can be considered as sufficiently close in location to the property being valued to be a comparable sale.

The other characteristic to be considered is the time when a sale took place in relation to the date of value applicable to this analysis. In order to sufficiently analyze the utility market for system facilities of comparable size, I have reviewed sales occurring from 2013 through the date of this report. However, the price paid for a system was not used directly in this approach to value, but rather a review of the price paid as a percentage of the rate base was used to

determine value. Therefore, I consider that the earlier sales are sufficiently close in time to the date of value of this analysis to provide meaningful data for comparison purposes. Before analyzing comparable sales it is necessary first to derive a potential rate base for the WSMWC system which is utilized as a comparable sale parameter.

PUBLIC WATER SYSTEM INVESTMENT AND CONSOLIDATION ACT OF 1997 (SB 1268)

In 1997, the Public Water System Investment and Consolidation Act (Act) was signed into law. There are three major elements to this legislation, only one of which is pertinent to this study. That element addresses sales of water utility property to regulated buyers of water systems and the associated recognition of rate base by the PUC. This appraisal study takes into account the results of this legislation, as discussed below.

COMPARABLE UTILITY SALES

The specific utility sales considered in this analysis are those meeting the following criteria (in addition to the earlier criteria stated):

- Sales representing arm's length transactions;
- Sales which were limited to utility property (i.e., the sale did not include significant other non-utility property);
- Sales which did not involve any other special circumstances which would cast a doubt on their validity as an indication of what would happen in a normal market transaction;
- Sales of complete water systems (either a complete water company or a separate operating system of a company).

UTILITY SALES TO REGULATED BUYERS

As shown in Table 2, my research reveals that there have been five California water utility sales to regulated purchasers since 2013 sufficiently large enough

to be comparable to the WSMWC system, i.e., systems with a rate base range under the seller's ownership of about \$216,000 to \$962,000, but not excessively large (for comparison, the prospective rate base for WSMWC as shown above is about \$216,600 and the imputed rate base derived by capitalizing the net income through the ROM approach is about \$953,000.

In addition, there is one sale to a non-regulated purchaser with a comparable rate base. Purchase price premiums paid over the prospective rate base component of facilities transferred have ranged from 5 to 253 percent. The last sale (Rio Plaza) is still pending approval by the PUC.

TABLE 2					
SUMMARY OF DATA ON SALES OF CALIFORNIA WATER SYSTEMS					
System	Purchaser	Year	Rate Base Component of Facilities Transferred	Purchase Price	Percent Premium
SALES TO REGULATED BUYERS AND NON-REGULATED BUYER					
Rural Water Company	Golden State Water Co.	2013	590,000	1,700,000	188
Traver Water Company	Del Oro Water Co.	2015	216,000	250,000	16
Geyserville Water Works	Cal-Am Water Co.	2015	962,000	1,415,000	47
Benbow Water Company	Del Oro Water Co.	2016	565,000	591,000	5
Rio Plaza Water Company	Cal-Am Water Co.	2016	509,000 (a)	1,796,000	253
Trinity Village Water Company	Trinity Village Mutual WC	2015	239,000(a)	250,000	5

(a) Imputed rate base from 2017 test year and income based on rate of margin.

The first sale in Table 2 is the transfer of the assets of Rural Water Company (Rural) to Golden State Water Company (GSWC), a subsidiary of American States Water Company, executed on June 12, 2013. The application for PUC approval was filed on October 10, 2013; followed by a settlement agreement in July 2014. The PUC approved the settlement agreement and sale in 2016 (D.15-06-049). The settlement agreement was uncontested. Rural Water Company serves about 950 customers in, or near Arroyo Grande, San Luis Obispo County. Annual revenues are about \$917,000. Rural also included a sewer utility serving the same customers. The sale did not include the sewer utility. GSWC is the second largest regulated water utility in California, and the third largest in the U.S. by market capitalization. GSWC proposed to add Rural to its Santa Maria service area, composed of five non-contiguous systems, the nearest of which is only six miles away. Service includes customers located in all or portions of the cities of Santa Maria and San Luis Obispo, or in the wider areas of Santa Barbara and San Luis Obispo counties. This service area serves about 13,500 customers before combining with Rural. The seller of Rural was Charles Baker, the sole stockholder who had been operating the system since 1988. On account of his age (80s) and health, he made the decision to sell the system.

The system has 11 active wells with a combined capacity of 1,318 gpm, 5 storage tanks with a combined storage capacity of 1.2 million gallons, and in excess of 66,000 feet of distribution mains. Most of the facilities were constructed after 1983. An RCNLD appraisal, performed by Kennedy Jenks, indicated a value of about \$25 million. Rural's water quality is reportedly meeting standards.

The purchase price was \$1.7 million cash. GSWC proposed to add \$375,000 of the purchase price to the utility's general office rate base (with the rate of return and depreciation revenue requirements allocated to all service areas of the company- the general office allocation was to be depreciated over 8 years). The remaining purchase price of \$1,325,000 was proposed to be added to the Santa Maria service area rate base. Initial rates were the existing Rural rates until new rates were adopted for the Santa Maria service area (with a rate case current and ongoing). The estimate of rate base for Rural in the application for sale approval was approximately \$590,000 indicating a sales price premium of about

\$1,110,000 or 188 percent. One consideration which makes this sale different from most is the amount of contributed facilities. Rural had an estimated \$2.3 million of CIAC which, as stated below, the PUC indicated may be compensated in whole or part in a proposed sale on a case by case basis.

Monthly customer rates for the Santa Maria district are about 35 percent higher than Rural's, but the latter's volumetric rates are greater by 10 to 15 percent. For a customer with a minimum 5/8-inch meter and 20 ccf (hundred cubic feet) usage, rates are close to unchanged (\$52.49 for a Rural customer, versus \$53.05 for a GSWC customer, a difference of only about 1 percent, with GSWC rates pending adoption in the ongoing rate case). Customers with lower usage would see higher bills; customers with higher usage would see lower bills. The active rate case was also targeting higher rates for 2017 and 2018 by 4.2 and 4.0 percent respectively.

In the settlement agreement between the state's utilities and the PUC following the passage of SB 1268 in 1998 regarding how to handle future proposed sales, the PUC stated it would consider inclusion of CIAC as compensable property on a case by case basis (that is, allow the price paid for such purchased contributed facilities to be included in the buyer's rate base). This is the first sale approval I can recall since that time where the PUC cited CIAC as a justification for approving such a high sale premium. In the most recent sale proceedings, the PUC appears to have become much more aggressive and creative in approving proposed sales in order to accomplish consolidation of the smaller water companies into the ownership of the largest Class A utilities in accordance the PUC's 2010 Water Action Plan.

The next sale to a regulated purchaser in Table 2 is the 2015 transfer of Traver Water System to Del Oro Water Company (a Class B utility) for an amount of \$250,000 which includes a 16 percent premium on rate base. This system served approximately 180 flat rate customers at the time of sale and is located in the community of Traver, Tulare County, about 30 miles southwest of Fresno. The source of supply is entirely from groundwater produced through two active wells. The SWRCB in an operating permit transfer request determined the

system had an adequate and safe source capacity, and met state waterworks standards.

In August 2015, California American Water Company (Cal-Am) filed an application (A.15-08-024) with the PUC to acquire the Geyserville Water Works (GWW) in accordance with a sales agreement dated June 16, 2015. Cal-Am is one of the state's largest water utilities serving approximately 630,000 people in 50 communities. GWW serves only about 318 connections, mostly residential, in the community of Geyserville, which is located about 20 miles north of Santa Rosa along the Russian River. The system has three wells and about 31,000 feet of distribution mains.

The purchase price was \$1,415,210 which represented a \$453,000 or 47% premium over the rate base of \$962,210 (from a May 2015 rate increase resolution adopting a rate base of \$902,303; plus \$59,907 of capital investment since the resolution to the sales agreement). Sale consideration was paid in shares of American Water Works common stock. The sellers were Harry and Karen Bosworth, stating their reason for selling was retirement. The RCNLD appraisal submitted, exclusive of contributed facilities, was \$2,108,283. Cal-Am proposed to operate this system as part of its Larkfield District, 18 miles away close to Santa Rosa.

Based on a submitted settlement agreement between the parties and the PUC staff, rate consolidation was accomplished by adding the system and facilities to its Sacramento District with its 58,000 customers, 120 miles away. Rates for Geyserville customers remained the same as recently adopted until the next 2018 rate case for Sacramento when rate consolidation would occur. Currently, Sacramento customers pay about \$56.25 per month (for an average use of 11,969 gallons) compared to \$64.89 for Geyserville customers. Therefore, following the sale, Geyserville ratepayers would see a rate decrease of about 13.3%. There was no public opposition to the sale, nor did any public agency come forward to either protest or offer an alternative purchase. The PUC approved the proposed sale and settlement agreement in Decision D.16-11-014, issued at the end of 2016.

The next sale to a regulated buyer in Table 2 is the 2016 sale of Benbow Water Company to Del Oro Water Company. This service area is located just south of Garberville, Humboldt County, and contains about 134 metered customers. Treated surface water is delivered from the Eel River. The seller's estimated potential rate base at the time of the sale was approximately \$565,000. The purchase price was \$591,586 indicating an approximate 5 percent sale premium over the potential rate base. Del Oro, a Class B utility, is very active in the acquisition of smaller water companies. Sale documents indicate the Benbow system complied with PUC minimum design and construction standards (General Order No. 103). The PUC approved the sale in May 2017 (D.17-05-003). Rates were unchanged until the next rate case for the buyer.

The last sale presented in Table 2 to regulated purchasers is the 2016 Cal-Am acquisition of the stock of Rio Plaza Water Company in Ventura County, northeast of the City of Oxnard. The sole owner wished to sell the system on account of age and his desire to retire. This system serves approximately 520 metered connections including seven commercial or institutional customers and the remainder residential. The system relies on two groundwater wells, one booster pump station, two reservoirs and about 20,725 feet of distribution mains, primarily 4- to 10-inch diameter asbestos cement. It is believed the system was constructed between 1956 and 1961. The system is in compliance with drinking water standards and has adequate source capacity to serve its customer base. The buyer also owns a large system serving the City of Thousand Oaks located about 20 miles away. Cal-Am is proposing to pay \$1.75 million plus assumption of about \$100,000 for this system to be operated as a standalone rate district. The current rates are based on a return to margin basis as the existing rate base is on the order of \$431,000. Imputing a comparable rate base based on the recently authorized projected net income and recommended average rate of return for Class C utilities in 2017 of 10.5 percent results in an amount of \$509,000. Accordingly, Cal-Am is proposing to acquire this system for a rate base premium of about 253 percent. The claimed submitted RCNLD for this system is \$2,562,401 of which \$1,155,000 is attributed to water rights in an adjudicated groundwater basin.

It should also be noted that a review was made of the pending sale of Mesa Crest Water Company, located in La Canada, Los Angeles County, to Liberty Utilities (Park Water Company). However, this sale violates the definition of fair market value in that the seller is under a PUC directive to sell the system to a larger Class A utility as a settlement to a regulatory proceeding investigating the financial and operating practices of the current owners. This investigation was brought by the PUC Consumer Protection and Enforcement Division. The owners were also under a PUC directive to show cause why the Commission should not petition the state Superior Court to appoint a receiver for Mesa-Crest. Clearly, the seller is under a compulsion to sell which the fair market value definition requires the seller not to be. Also, as a part of this appraisal, reviews was made of the pending acquisitions of Fruitridge Vista Water Company in Sacramento, Hillview Water Company in Madera County and and the recently approved sale of Meadowbrook Water Company in Merced County all by Cal-American Water Company. However, these proposed acquisitions, ranging in size from 1,200 to over 4,000 connections, with each having RCNLD amounts in excess of \$20 million are considered to be too large to include in the comparable sales group.

UTILITY SALES TO NON-REGULATED BUYER

The only recent comparable water system sale to a non-regulated buyer shown in Table 2 was the 2015 sale of Trinity Village Water Company to the Trinity Village Mutual Water Company (TVMWC). This system provides service to approximately 191 customers in the community of Salyer, located near Willow Creek, Trinity County. Treated surface water is delivered to customers in two pressure zones. System facilities include two storage tanks totaling 240,000 gallons plus an unstated amount of pipeline footage. In a 2014 rate case proceeding it was reported by customers that service was very good and recent improvements had been made. It was also noted that there were no outstanding compliance orders and water quality met the required state standards. The rate increase resolution authorized a projected net revenue target of \$28,175 designed to return a rate of margin of 20.91 percent on operating costs (including taxes and depreciation). This approach was necessary in view of the very low depreciated rate base (the system recently

had almost \$2 million of improvements from State Proposition 50 funding which is not included in rate base). The sale agreement indicated the purchase price paid by the TVMWD was \$250,000. The imputed rate base derived from the targeted net revenue and 2014 Class D range in staff recommended rates of return (10.8 to 11.8 percent) indicated a range of \$238,800 to \$260,900. Accordingly, the premium of sale price over rate base ranged from approximately a (4) percent discount to a 5 percent premium. This appraisal considers a 5 percent premium was paid for this system.

No other comparable sales to non-regulated buyers meeting the definition of fair market value were identified. Also, there are currently no likely potential non-regulated buyers of the WSMWC system. However, any such sale which might occur to a public agency buyer in the near future would most likely take place at a price very close to the one reached by considering the market sales for regulated buyers.

ANALYSIS OF MARKET SALES

Each of the sales in Table 2 was reviewed regarding system condition, service problems, service area growth potential, sale price and terms, and other factors and circumstances.

Prior to the passage of SB 1268 in 1997 (the Act, referenced above), sales of utility properties subject to regulatory jurisdiction could be expected to take place at prices close to or at a moderate premium over the rate base of the subject utility system. As a matter of prior PUC policy, the amount paid in excess of the derived rate base from historical investment was not allowed to be accounted for in the rate base established by the new owner. The sale of a utility could be expected to be at a premium when the system was in very good condition, had good growth potential in the service area, and a strong anticipation by the purchaser of earnings stability and growth. Conversely, a utility without these characteristics could be expected to sell at a price very close to historic rate base. This historic regulatory policy was changed by SB 1268 which required the PUC to henceforth recognize the sale price as the fair market value paid for a utility up to RCNLD as the succeeding rate base.

However, in the cases of asset acquisition (as opposed to stock acquisition), escalation of the rate base is only available to larger Class A or B water utilities capable of demonstrating economies of scale and ratepayer benefits resulting from the smaller system transfer. The PUC retains the authority to deny any proposed sale which is devoid of benefits and results in significant rate increases.

The above discussed sales to Class A utility buyers are examples of large regulated utilities paying significant premiums over net book value (47 to 253 percent) and having the premiums subsequently recognized by the PUC in the rate base following acquisition. However, as indicated above, the legislation continued to authorize the PUC to have powers of disapproval over any sale not in the public interest (which did occur in the proposed purchase of Peerless Water Company by Southern California Water Company disapproved by the PUC). Recent PUC decisions have put buyers and sellers on notice that sales with significant potential rate increases would not be acceptable.

All of the selected comparable sales support the results of the capitalized earnings analysis. Taken into account in forming an opinion of value based on these sales is not only the premium percentages paid, but also the dollar premium amounts. Both the Rural and Rio Plaza systems were acquired by dollar premiums above rate base exceeding \$1,000,000. It is also considered that the Geyserville system sale at \$1,415,000 is very supportive of the capitalized earnings value for WSMWC at \$1,361,500 with similar system rate bases (Geyserville at \$962,000 and WSMWC at \$953,000 for an imputed rate base), number of connections (318 for the former, and 305 for the latter) and distance from a large system operator with both less than about 30 miles.

Based on the above discussion, it is my opinion that the fair market value of the WSMWC system, as indicated by market sales and limited by the capitalized earnings approach, if acquired by a Class A utility would be \$1,360,000 representing a premium of about 43 percent over the imputed prospective rate base. For a Class B buyer, a sale premium might be expected on the order of 10 percent resulting in a price of approximately \$1,050,000. For a non-regulated buyer, such as a mutual water company formed by the ratepayers, a

prospective sale price is estimated to be \$1,000,000 or approximately 5 percent over rate base, as indicated by the single comparable sale available for analysis.

REPRODUCTION COST NEW LESS DEPRECIATION

The reproduction cost new less depreciation (RCNLD) method of valuation, also known as the cost approach, is based on an estimate of the current cost of construction for the physical facilities of the water system, less the estimated actual depreciation to account for the facilities being less than new. Additionally, separate amounts are added for the current market value of other assets such as land and intangible plant.

The costs of reproducing the WSMWC water system facilities were estimated at price levels that prevailed at the end of 2017. Estimates of reproduction cost new (RCN) were made by utilizing the Handy-Whitman Cost Index for water utility system construction to escalate original costs of facilities as reported in company records. In the case of general plant accounts (office furniture and equipment, transportation assets and similar assets) escalation was undertaken by the use of the Consumer Price Indexes. The amount of accrued depreciation was estimated for all assets by the straight-line method. Expected original and remaining service lives were based on judgment, giving consideration to data from several sources (including company estimates, PUC guidelines and experience gained by me in conducting numerous RCNLD studies). Finally, it should be noted that a reconciliation adjustment was added to account for total asset values between those reported in the 2017 annual report and those derived by evaluating annual changes in asset accounts since 1949.

In accordance with this approach, the current market values of other non-infrastructure assets such as land are normally added to the facilities' depreciated reproduction cost. At this time, separate land appraisal of parcels owned by WSMWC were not conducted in view of the need to retain a separate local land appraiser, the small contributed value to the overall RCNLD from land assets, and the fact that a slightly higher RCNLD than shown below would not change the opinion of fair market value of the entire system expressed in

this report. However, in order to recognize the increase in value of such other assets, both land and intangible assets were escalated by the consumer price index as an approximate estimate of current reproduction value.

The results of the RCNLD analysis are summarized in the following Table 4. As shown, the RCNLD of the WSMWC system facilities is about \$3,144,000. The estimate of RCNLD was considered but given less weight in forming the opinion of fair market value. A knowledgeable buyer of these facilities would recognize that earnings would be controlled by the PUC at a level which would represent a fair rate of return on the market value paid by the purchaser for the system, and that neither the PUC nor the ratepayers would allow it sufficient earnings to justify a price approaching RCNLD as indicated by the capitalized earnings analysis. Additionally, the comparable sales analysis did not support the proposition that a regulated buyer would pay RCNLD for this system.

TABLE 4
ESTIMATE OF REPRODUCTION COST NEW LESS
DEPRECIATION FOR WSMWC WATER SYSTEM FACILITIES
AS OF DECEMBER 31, 2017

Description	RCN	Depreciation	RCNLD
Intangible Plant	\$11,702	0	\$11,702
Land	11,039	0	11,039
Structures	14,130	4,608	9,522
Wells	228,147	65,364	162,783
Pumping Equipment	376,516	220,358	156,158
Water Treatment Plant	1,931	579	1,352
Reservoirs	1,496,992	549,328	947,669
Pipelines	3,357,698	1,758,214	1,599,484
Services	109,210	45,623	63,587
Meters	141,146	81,981	59,165
Hydrants	56,719	11,732	44,987
Other Equipment	85,967	16,957	69,010
Furniture and Office Equip	15,583	12,437	3,146
Transportation Equipment	<u>13,982</u>	<u>9,152</u>	<u>4,830</u>
TOTALS	\$5,920,762	\$2,776,328	\$3,144,434

OPINION OF VALUE

In arriving at an opinion of value, I used or considered the traditional approaches to value: the earnings approach, the market approach, and the cost approach. Under the earnings approach, the prospective future stream of earnings was capitalized at a rate consistent with the rate of return available on other comparable investments. Under the market approach, an investigation was made of the sales of other properties similar to that being valued and the results were extrapolated to the subject property. Under the cost approach, consideration was made of the cost of reproducing the property, with suitable adjustment for depreciation to reflect that the property being valued is not new. I looked at all of these measures of value and took into account special circumstances concerning this system which might have an influence on value (including service area characteristics, service problems, system condition and design, general economic conditions, statutes of regulatory proceedings, and ratepayer satisfaction with current service). On the basis of this information and my experience and knowledge, I then, by judgement, formed an opinion as to the fair market value.

Therefore, based on the above-described investigation, it is my opinion that the fair market value of the water system facilities of the WSMWC water system, including land, intangible assets, operating rights, going concern value, and water system materials and supplies as of December 31, 2017 is \$1,360,000 if sold to a Class A utility buyer. However, if such a buyer cannot be found, a Class B utility purchaser would likely pay on the order of \$1,050,000; a non-regulated purchaser such as a mutual water company on the order of \$1,000,000 (although a large non-regulated buyer such as the City of Morgan Hill would likely compete with an offer from a Class A buyer); and an investor continuing to operate the system as a Class D utility would likely pay about \$950,000 for the stock (without taking into account the net assets or liabilities attached to that stock which could require a price adjustment).

Robert Ukestad
November 6, 2018
Page 32

Please call me to discuss any of the details in this analysis or answer any other questions of concerns you might have.

Yours very truly,

DRAFT

Harold V. Morgan, P.E.

MDR Response Attachment 20

California American Water Advice Letter Notice

Para más información en cómo este cambio impactará su factura, llame al 916-568-4237.

NOTICE OF ADVICE LETTER FILING 1416
Filing to Acquire West San Martin Water Works, Inc.
ADVICE LETTER AL1416

Why am I receiving this notice?

On July XX, 2023, California American Water submitted Advice Letter 1416 to the California Public Utilities Commission (“CPUC”). Approval of this Advice Letter is eventually expected to impact your bill.

What California American Water requests?

- Advice Letter 1416 asks the CPUC to approve California American Water’s acquisition of West San Martin Water Works, Inc.’s (“West San Martin Water”) potable water distribution system and service of West San Martin’s customers. West San Martin Water is in southern Santa Clara County.
- The acquisition would add approximately 309 customer connections to California American Water’s existing connections and is expected to create greater economies of scale and synergies, benefiting both existing California American Water customers and West San Martin customers.

How could this affect my water bill?

Neither California American Water nor West San Martin Water customers are expected to see any rate or bill impacts related to the acquisition until 2027. California American Water has requested a portion of the purchase price for West San Martin’s system be included in its General Office costs and recovered from all of its customers statewide. As described below, if approved, this would be expected to result in an approximately 0.064% cost of service increase to all California American Water customers. California American Water would address consolidation of West San Martin customers for ratemaking purposes in a future general rate case. (“GRC”). California American Water expects to file its next GRC in 2025, for rates to take effect in 2027. You will receive notice of the GRC proceedings.

If California American Water’s pending advice letter request is approved by the CPUC, the average residential bill with a 5/8” meter with average residential usage (CGL) would be expected to increase by up to \$0.09 or 0.064% per month based on the purchase price.

COMPARISON OF TOTAL RESIDENTIAL BILL PER CUSTOMER PER MONTH					
BASED ON CURRENT AUTHORIZED RATES					
District	Avg Res Usage (CGL)⁽¹⁾	Pre-Acquisition Total Bill⁽²⁾	Post-Acquisition Forecasted Total Bill	\$ Increase	% Increase
Sacramento	78.30	\$65.10	\$65.14	\$0.04	0.064%
Fruitridge	78.30	\$70.90	\$70.95	\$0.05	0.064%
Larkfield	60.47	\$81.40	\$81.45	\$0.05	0.064%
Dunnigan WW	N/A	\$41.96	\$41.98	\$0.03	0.064%
Meadowbrook	120.94	\$61.38	\$61.42	\$0.04	0.064%

Monterey	34.83	\$117.48	\$117.56	\$0.07	0.064%
Central Satellites	82.91	\$121.20	\$121.28	\$0.08	0.064%
Chualar	117.19	\$45.52	\$45.55	\$0.03	0.064%
Monterey Wastewater - Active	N/A	\$146.16	\$146.26	\$0.09	0.064%
Monterey Wastewater - Passive	N/A	\$93.15	\$93.21	\$0.06	0.064%
Ventura	92.68	\$100.96	\$101.03	\$0.06	0.064%
LA - Duarte	106.69	\$98.92	\$98.98	\$0.06	0.064%
LA - Baldwin Hills	89.06	\$87.79	\$87.84	\$0.06	0.064%
LA - San Marino	121.95	\$113.28	\$113.35	\$0.07	0.064%
San Diego	56.70	\$78.91	\$78.96	\$0.05	0.064%
West San Martin	113.56	\$72.44	\$72.49	\$0.05	0.064%

- (1) Residential usage per customer per month from A.22-07-001
- (2) Total Bill based on Rates from AL 1404 & AL1406
- (3) Bill impacts are presented as monthly comparison; however, flat rate residential customers are billed on a semi-annual basis. Applicable surcharges are estimated based on location.

How does the rest of this process work?

This Advice Letter will be reviewed by staff in the Water Division of the CPUC who will determine if the request is reasonable and determine if modifications are necessary.

Protests and Responses to Advice Letter #1416

The deadline to protest this advice letter is September 29, 2023. Please include “**Advice Letter #1416**” in any response or protest you submit.

The reasons for the protest can be one of the following:

- (1) The utility did not properly serve or give notice of the advice letter;
- (2) The relief requested in the advice letter would violate statute or CPUC order, or is not authorized by statute or CPUC order on which the utility relies;
- (3) The analysis, calculations, or data in the advice letter contain material error or omissions;
- (4) The relief requested in the advice letter is pending before the CPUC in a formal proceeding;
- (5) The relief requested in the advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process; or
- (6) The relief requested in the advice letter is unjust, unreasonable, or discriminatory (provided that such a protest may not be made where it would require re-litigating a prior order of the CPUC).

If you would like to submit a protest or response about this advice letter, please write to:

California Public Utilities Commission
Water Division, 3rd Floor
505 Van Ness Avenue, San Francisco, CA 94102
Email: **Water.Division@cpuc.ca.gov**

On the same date the response or protest is submitted to the Water Division, the respondent or protestant shall send a copy by mail (or e-mail) to [Utility] at the following address:

Email Address:

leana.ramirez@amwater.com

sarah.leeper@amwater.com

ca.rates@amwater.com

Mailing Address:

520 Capital Mall, Suite 630
Sacramento, CA 95814

555 Montgomery Street, Suite 816
San Francisco, CA 94111

520 Capital Mall, Suite 630
Sacramento, CA 95814

Where can I get more information?

Customers with internet access may view and download California American Water's advice letter on California American Water's website by visiting www.amwater.com. If you have technical issues accessing the documents through the website, please e-mail leana.ramirez@amwater.com for assistance and reference Advice Letter #1416 in your e-mail.

To request a hard copy of California American Water's Advice Letter, or to obtain more information about the Advice Letter from California American Water, please write to:

California American Water
Advice Letter #1416
520 Capital Mall, Suite 630
Attention: Leana Ramirez
leana.ramirez@amwater.com

MDR Response Attachment 26 (CONFIDENTIAL)

OMITTED